South West Eco Development Limited
西南環保發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8291

PLACING

Sole Sponsor

海通國際
HAITONG

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

信達國際證券有限公司
CINDA INTERNATIONAL SECURITIES LIMITED

東方滙財證券有限公司
ORIENT SECURITIES LIMITED

中国平安证券(香港)
PING AN OF CHINA SECURITIES (HONG KONG)

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

SOUTH WEST ECO DEVELOPMENT LIMITED
西南環保發展有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares	:	75,000,000 Shares (Subject to Offer Size Adjustment Option)
Placing Price	:	Not more than HK$0.93 per Placing Share and expected to be not less than HK$0.65 per Placing Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK$0.1 each
Stock code	:	8291

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this prospectus unless the context otherwise requires.

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and Available for Inspection" as set out in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is currently expected to be fixed by an agreement between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about 7 December 2012. If, for whatsoever reason, the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately. In such case, an announcement will be made by the Company on the GEM website and the Company's website at *www.southwesteco.com*.

The Placing Price will not be more than HK$0.93 per Placing Share and is expected to be not less than HK$0.65 per Placing Share. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of the Company, reduce the indicative Placing Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative Placing Price range will be published on the GEM website and the Company's website at *www.southwesteco.com*. If, for any reason, the Placing Price is not agreed between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Placing will not proceed and will lapse.

The obligations of the Underwriters under the Underwriting Agreement to subscribe for, and to procure placees for the subscription for the Placing Shares, are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate its obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will not proceed and will lapse.

30 November 2012

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website at *www.hkgem.com* **in order to obtain up-to-date information on GEM-listed issuers.**

The Company will make an announcement on the GEM website if there is any change to the following expected timetable.

	2012 *(Note i)*
Price Determination Date *(Note ii)* on or about	Friday, 7 December
Announcement of the determination of the Placing Price and the level of indication of interest in the Placing to be published on the GEM website at *www.hkgem.com* and the Company's website at *www.southwesteco.com* on or about	Thursday, 13 December
Allotment of the Placing Shares to placees on or about	Thursday, 13 December
Despatch of share certificates for the Placing Shares into CCASS on or about *(Note iii)*	Thursday, 13 December
Dealings in the Shares on GEM to commence at 9:00 a.m. (Hong Kong time) on *(Note iv)*	Friday, 14 December

Notes:

(i) In this prospectus, except as otherwise stated, all times and dates refer to Hong Kong local times and dates.

(ii) The Price Determination Date is expected to be on or about 7 December 2012. If the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.

(iii) The Share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about 13 December 2012 for credit to the respective CCASS Participants' stock accounts designated by the Joint Lead Managers (for themselves and on behalf of the Underwriters), the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.

(iv) All Share certificates will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its term prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Details of the structure of the Placing, including the conditions thereof, are set out in the section headed "Structure and conditions of the Placing" of this prospectus.

IMPORTANT NOTICE TO INVESTORS

The Company has issued this prospectus solely in connection with the Placing, and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. No person may use this prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. The Company has taken no action to permit a Placing of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption there from.

You should rely only on the information contained in this prospectus to make your investment decision. The Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Placing.

The contents on the Company's website at www.southwesteco.com, do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

The Group is principally engaged in the business of property development, property leasing, building management services and provision for advisory and consultancy services. The Group is an award winning green building property developer in the city of Nanning, Guangxi and an ISO 14001 and ISO 9001 certified property manager. The Group was founded in 1993 and has approximately 9 years of experience in managing properties in Nanning and more than 19 years of experience in leasing and developing properties.

As at the Latest Practicable Date, the Group had a total of two property projects in Nanning under development with a total GFA of approximately 62,463 sq.m., including GFA unsold of approximately 16,430 sq.m. for Fond England and saleable GFA of approximately 46,033 sq.m. for Li Yuan Project. As at the Latest Practicable Date, the Group had no land reserves.

The Group was also the owner of investment properties located in Nanning and Hong Kong with an aggregate GFA of approximately 26,520 sq.m. as at the Latest Practicable Date. The investment properties owned by the Group comprised of retail outlets, shopping centres and commercial and residential buildings. The Group generates regular income from leasing and managing the investment properties that it owns, as well as from sub-leasing and managing properties owned by Independent Third Party property owners.

In addition to the property development and leasing business, the Group would provide Independent Third Party property owners with consultation on sub-leasing or management of their properties. By determining the market positioning of each property or of each level or units within the property and developing featured theme shopping malls, the Group believes that it would enable the Independent Third Party property owners to identify prospective tenants and subsequently select appropriate tenants.

For details of the Group's positioning and competitive landscape, please refer to the sub-section headed "Positioning of the Group" and "Competitive Landscape of the Group" under the section headed "Industry overview" of this prospectus.

BUSINESS

Property development business

(i) *Completed property projects*

The following table sets out the summary of the Group's property development projects as at the Latest Practicable Date. All projects developed by the Group are located in Nanning. Further details regarding how the Group classifies its properties are set out under the sub-section headed "Property development business" in the section headed "Business" of this prospectus.

								Average selling price per sq.m. for property sold and delivered				Sales contribution				
Project	Type	Attributable interest to the Group	Total saleable GFA as at the Latest Practicable Date	Total rentable GFA held as investment as at the Latest Practicable Date	Total GFA sold as at the Latest Practicable Date	GFA pre-sold as at the Latest Practicable Date	Total GFA unsold as at the Latest Practicable Date	for the year ended 31 December 2010	for the year ended 31 December 2011	for the six months ended 30 June 2012	from 1 July 2012 up to the Latest Practicable Date	for the year ended 31 December 2010	for the year ended 31 December 2011	for the six months ended 30 June 2011	for the six months ended 30 June 2012	Date of completion of construction for the project
		(%)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	
Completed property projects																
Yu Feng Plaza[1]	Residential and commercial	93.84	39,274	8,223	31,051	—	—	—	—	—	—	—	—	—	—	November 2007
Fond England[2] (Phase 1)	Residential, commercial and carparks	93.84	68,113	—	63,378	768	3,967	5,700	7,030	7,435	21,734	105.5	20.3	9.0	2.8	December 2009
Fond England[2] (Phase 2 Blocks 1, 8, 9, 11) and carparks	Residential and carparks	93.84	61,017	—	51,142	2,540	7,335	—	9,690	7,660	10,492	—	245	—	105	June 2012
Fond England[2] (Phase 3)	Residential	93.84	12,061	—	6,660	3,031	2,370	—	—	11,912	12,104	—	—	—	25.2	August 2012
Total			180,465	8,223	152,231	6,339	13,672									

Notes:

1. Yu Feng Plaza is a composite commercial and residential development project with a total GFA of 39,352 sq.m. comprised with commercial area of 16,483 sq.m., residential area of 18,467 sq.m., carparks of 4,324 sq.m. and public facilities of 78 sq.m. As at the Latest Practicable Date, 3,899 sq.m. of commercial area and 4,324 sq.m. of carparks was held by the Group.

2. Fond England is a composite commercial and residential development project which comprising a residential area of 130,523 sq.m., commercial area of 1,008 sq.m., carparks of 23,815 sq.m. and public facilities of 15,467 sq.m.

3. The average selling price of residential units was substantially above the average selling price of carparks. As the saleable GFA delivered for the year ended 31 December 2011 for carparks accounted for only approximately 7.0% of the total saleable GFA delivered for the year ended 31 December 2011, while the total saleable GFA delivered for carparks accounted for 33.4% of the total saleable GFA delivered or the six months ended 30 June 2012, therefore the average selling price of Fond England in the first half of 2012 declined as compared to that of 2011.

(ii) *Properties under development*

Project	Type	Attributable interest to the Group	Total saleable GFA as at the Latest Practicable Date	GFA pre-sold as at the Latest Practicable Date	Total GFA unsold as at the Latest Practicable Date	Average selling price per sq.m. for pre-sold property: for the year ended 31 December 2010	for the year ended 31 December 2011	for the six months ended 30 June 2012	from 1 July 2012 up to the Latest Practicable Date	Estimated date of completion for the project and delivery to the buyers
		(%)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	
Properties under development										
Fond England[1] (Phase 2 Block 10)	Residential	93.84	14,052	11,294	2,758	—	11,289	10,975	11,655	February 2013
Li Yuan Project[2]	Residential, commercial and carparks	87.52	46,033	—	46,033	—	—	—	—	September 2014
Total			60,085	11,294	48,791					

Notes:

(1) Fond England is a composite commercial and residential development project which comprising a residential area of 130,523 sq.m., commercial area of 1,008 sq.m., carparks of 23,815 sq.m. and public facilities of 15,467 sq.m.

(2) The Group intends to develop the Li Yuan Project into a residential and commercial complex with the total GFA of 46,792 sq.m. comprising a residential area of 32,719 sq.m., commercial area of 3,579 sq.m., carparks of 9,735 sq.m. and public facilities of 758 sq.m. Before obtaining the amended land grant contract and the amended land use right certificates, the Group had leased the property to an Independent Third Party from 1 July 2010 up to 30 September 2010 with rentable GFA of 8,795 sq.m.

Phases 2 and 3 of Fond England

The construction of Phase 2 and Phase 3 of Fond England commenced in 2008 and 2010 respectively. Phase 2 of Fond England is expected to be completed in the first quarter of 2013 and Phase 3 of Fond England was completed in the third quarter of 2012.

Subsequent to the Track Record Period and up to the Latest Practicable Date, the commencement of delivery of the remaining towers of Fond England was in-line with the estimated delivery plan of the Group.

Li Yuan Project

Li Yuan Project is planned to be developed into a residential and commercial complex in one phase. The construction of Li Yuan Project has commenced in June 2012.

As of the Latest Practicable Date, the Directors expected to sell all its residential units, carparks and commercial areas of Fond England and Li Yuan Project.

(iii) *Other parcels of land*

As at the Latest Practicable Date, the Group held the land use right certificates for two plots of allocation land in New & Hi-Tech Industrial Development Zone (高新技術產業開發區) through the acquisition of Bai Yi Commercial. The two plots of allocation land were allocated by the local government prior to its reorganisation and transformation to Bai Yi Commercial as a limited company. For details of the two plots of allocation land, please refer to section headed "Other parcels of land" of this prospectus and property number 22 as set out in "Property valuation" in Appendix III to this prospectus.

Property leasing business

The Group's property leasing business comprises leasing of residential or retail units owned by the Group and properties held by Independent Third Parties and sub-leased by the Group. The following table sets out the summary of the properties held by the Group and Independent Third Party property owners for leasing purposes.

	Total rentable GFA as at the Latest Practicable Date	Total GFA rented out as at the Latest Practicable Date	Average monthly base rent per GFA				Average occupancy rate			
			for the year ended 31 December 2010	for the year ended 31 December 2011	for the six months ended 30 June 2012	from 1 July 2012 and up to the Latest Practicable Date	for the year ended 31 December 2010	for the year ended 31 December 2011	for the six months ended 30 June 2012	from 1 July 2012 and up to the Latest Practicable Date
	(sq.m.)	*(sq.m.)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(%)*	*(%)*	*(%)*	*(%)*
Properties developed and/or held by the Group for leasing *(Note 1,2)*										
Yu Feng Plaza	2,223	2,223	500	505	515	528	97.5	98.9	99.0	97.2
Yu Feng Plaza-carparks *(Note 3)*	4,324	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yu Feng High Street	3,852	3,355	55	329	301	282	63.6	82.2	85.9	61.8
No. 10 West Street	1,722	1,722	—	28	42	40	3.8	89.9	99.6	100
Other properties *(Note 4)*	7,464	6,194	221	228	234	173	79.7	87.8	86.1	78.1
Properties held by Independent Third Parties and sub-leased by the Group *(Note 1)*										
International Kitchen Supplies Centre (裕豐 • 國際廚櫃中心)	3,411	3,301	119	148	147	146	97.2	91.1	96.6	92.0
Guo Mou Centre (廣西國際貿易中心)	610	610	567	600	618	598	100	100	100	100
Property held by the Group for leasing in Hong Kong *(Note 1)*										
Wu Chung House	48	48	—	459	463	459	—	100	100	100
	23,654	17,453								

Notes:

(1) Saved for one investment property located in Hong Kong, all properties held by the Group and Independent Third Party property owners for leasing purposes are located in Nanning. Further details are set out under the section headed "Business" of this prospectus.

(2) As at the Latest Practicable Date the Group did not have any intention to dispose any of its investment properties.

(3) Yu Feng Plaza-carparks were rented out on an hourly basis, as such the calculation of monthly average base rent per GFA is not applicable. The rental income derived from Yu Feng Plaza's carparks amounted to approximately HK$0.3 million, HK$0.3 million, HK$0.2 million and HK$0.1 million for the two years ended 31 December 2010 and 31 December 2011, six months ended 30 June 2012 and from 1 July 2012 up to the Latest Practicable Date respectively, representing 0.2%, 0.1%, 0.1% and 0.1% to the total revenue of the Group for the two years ended 31 December 2010 and 31 December 2011, six months ended 30 June 2012 and from 1 July 2012 up to the Latest Practicable Date respectively. Having considered that the revenue contribution from Yu Feng Plaza's carparks for the two years ended 31 December 2010 and 31 December 2011, six months ended 30 June 2012 and from 1 July 2012 up to the Latest Practicable Date were minimal and the nature of carparks as compared to other investment properties of the Group, the Directors are therefore of the view that such average occupancy rate is neither indicative nor representative.

(4) The other properties include (i) retail outlets on Minsheng Road and Xingning Road; (ii) property located at a site on Gonghe Road, Xingning District; and (iii) retail units in Xinan Shangdu and Lvdu Shangsha, Xingning District.

(5) Investment approach has been adopted for valuation of all investment properties of the Group by DTZ.

Application of green technologies

In developing Fond England, the Group has applied the following green technologies:

Green technology applied	Outcome
Computerized simulation technology	Optimised ventilation and lighting of the entire complex.
Aerated concrete and bubble glass	Better heat insulation in walls and roofs.
Double-glazed glasses with built-in adjustable shutter blind	Enhanced heat and sound insulation.
Solar-powered panels installed on the roof top	Energy saving on powering water heaters, air-source heat pump water heaters and outdoor lightings.
Renewable energy-saving elevators	Electricity saving of up to 50.0%.
Artificial wetland sewage treatment system	Water saving, by collecting and purifying waste water for landscaping and irrigation.
Micro-water sprinklers	Applying less amount of water with better irrigation coverage.

Property management and consultancy businesses

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by Independent Third Party property owners or permitted users. The Group's management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environment protection policies, event planning, and consulting services. For the property consulting business, the Group would provide to Independent Third Party property owners or permitted users consultation on sub-leasing or management of their properties. Depending on the terms of the tenancy agreements with tenants, the Group normally charges property owners or permitted users a consulting fee of 1 to 2 months of rental income for the Group's effort in securing tenants for the property owners or permitted users for each year. In addition, the Group also offers consultancy services including (i) locating prospective tenants; (ii) determining the market positioning of each property, or each level, or the units within the properties; and (iii) developing featured theme shopping malls, or selecting appropriate tenants.

Revenue Contribution

For the two years ended 31 December 2011 and the six months ended 30 June 2012, the Group's revenue was approximately HK$163.1 million, HK$328.4 million and HK$175.7 million respectively. The significant increase in the Group's turnover in 2011 as compared to the corresponding period in 2010 and for the six months ended 30 June 2012 as compared to the six months ended 30 June 2011 were primarily due to an increase in the total GFA that the Group had sold and delivered in respect of the property development project, Fond England.

During the Track Record Period, the Group's revenue was derived from (i) sales of properties (most of which were units and carparks of Fond England); (ii) rental income of investment properties owned by the Group and Independent Third Parties; (iii) building management income; and (iv) consultancy service income. The following table sets forth the Group's revenue from each of these segments and as a percentage of total revenue in the periods indicated:

	For the year ended 31 December				For the six months ended 30 June 2011		For the six months ended 30 June 2012	
	2010		2011					
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sales of properties	105,492	64.7	265,313	80.8	9,013	22.1	132,919	75.7
Rental income of investment properties	37,542	23.0	44,440	13.5	21,848	53.7	28,522	16.2
Building management income	16,515	10.1	17,399	5.3	9,270	22.8	9,918	5.6
Consultancy service income	3,533	2.2	1,284	0.4	577	1.4	4,303	2.5
	163,082	100.0	328,436	100.0	40,708	100.0	175,662	100.0

As the Group derived a substantial part of its revenue from the sales of properties, the Group's results of operations for a given period are dependent upon the amount of total GFA completed and the timing of sales recorded upon delivery of the properties to the purchasers during such period. The Group's results of operation may vary significantly from period to period because of different timing of the completion and sales of property development projects.

It is expected that the Group's rental income would increase upon the opening of the featured theme leasing projects located in Nanning Qingxiu District in the first half of 2014, as stipulated in the implementation plans as set out in the section headed "Statement of business objectives and use of proceeds" in this prospectus. The Group's building management income is also expected to increase. It is the Group's strategy to provide management service for their development projects after completion and hand-over to tenants through Golden Yu Feng. Due to the upcoming hand-over and moving in of tenants for Fond England, the Group's building management income is also expected to increase.

Directors emoluments

During the Track Record Period, the Directors' emoluments amounted to approximately, HK$10.1 million, HK$10.7 million and HK$6.1 million respectively for the two years ended 31 December 2011 and for the six months ended 30 June 2012. The Directors' emolument represents approximately, 58.7%, 12.1% and 19.8% respectively of the Group's profit before tax and fair value gain on investment properties for the two years ended 31 December 2011 and for the six months ended 30 June 2012. During the Track Record Period, the Directors' emoluments were determined with reference to the then market salary statistic.

For the year ending 31 December 2012, according to the service contracts entered into between the Company and the Directors, it is expected that the aggregate remuneration and benefits-in-kind of the Directors will be amounted to approximately HK$11.5 million.

PROPERTY LEASING BUSINESS PROCESS

The Group formulates its strategy of investing and re-developing the existing properties located in old districts in Nanning based on its investment plan so as to enhance its capabilities in property leasing and develop its reputation as a high-quality property operator. The Group identifies and evaluates possible locations in Nanning, which are available for leasing or acquisition, for the property leasing projects through its subsidiary, Golden Yu Feng. Suitable tenants are selected by the Group through tendering, screening or direct application. For details of the tenant selection process, please refer to the paragraph headed "Property leasing business process" in the section headed "Business" of this prospectus.

PROPERTY DEVELOPMENT AND SALES PROCESS

The Group acquires land through (i) acquisitions of controlling equity interests in companies that hold land use right certificates, (ii) acquisition of land through land bidding, and/or (iii) acquiring the land(s) directly from the owner(s). As the Group does not have any in-house contractors or construction workers, it would contract out the construction work for all of its property development projects to construction companies. The construction companies would be selected through the tendering process. In-house sales and marketing staff and external property sales agencies appointed by the Group would conduct market research and organise on-site sales and pre-sales procedures. Sales channels of the Group includes on-site sales centre to cater walk-in customers, which provides information on the development projects including pricing, floor plan and other information regarding the development project. The Group will also appoint independent sales agencies to approach potential customers. From time to time independent freelance sales agents also refer potential customers to purchase the Group's development projects. The promotion channels include billboard advertisements, visual and print media publications, and model displays. The Group would also organise sales pavilions with quality sample units in the site area for visits and evaluation by potential purchasers and media interview.

COMPETITIVE STRENGTHS

The Directors attribute the Group's success to, amongst others, the following strengths:

- Value-added leasing strategies that strengthen the rental value of leasing properties
- Strategic locations of investment properties
- Proven skills and know-how in green building technology
- Opportunities for property development

For details of the Group's competitive strengths, please refer to the section headed "Competitive strengths" in the section headed "Business" of this prospectus.

STRATEGIC PLANS OF THE GROUP

It is the Group's long term business objectives and strategic direction to promote Yu Feng and Golden Yu Feng as brands of quality property leasing operator and manager in the city of Nanning. The Group is also intended to undertake property development project with site area of not less than 6,667 sq.m., and to continue to update its knowledge base of applying the latest available green building technology to improve energy efficiency of its buildings, preserve resources, reduce waste, and maintain a green environment for suitable projects.

The details of the Group's strategic plans are set out in the paragraph headed "Strategic plans of the Group" in the section headed "Business" of this prospectus.

FUTURE PLANS

The Group intends to implement key strategic initiatives in the near future as follows:

- Continue to develop featured theme shopping mall
- Continue to develop the Group's property development project with a green-focus
- Pursue potential acquisition opportunities or invest in the property development, property leasing and property management industry
- Enhance brand recognition on properties related businesses in Nanning

AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT

In recent years, the PRC Government has implemented a series of regulations and policies to slow down the property markets and rising property prices, and to dampen property speculation. These policies are expected to have impact on the Group's financial performance and to tighten the sources of funding for the Group's property developments. The Directors, however, confirm that notwithstanding these austerity measures, the Group has not encountered any material difficulties in financing its development projects and consider that the current financing plans of each development project are feasible and realistic.

The Group has various sources of funding for its development projects, including proceeds generated from the sales and/or pre-sales of Fond England and pre-sales of Li Yuan Project, debt financing as well as other internal financial resources. The Directors confirm that the Group would have sufficient working capital in the following 12 months after the Placing. As of the Latest Practicable Date, the cash and cash equivalent of the Group was approximately HK$81.6 million.

As a matter of cash flow management, the Group normally relies on its internal resources to finance its property development projects. Therefore, bank loans do not constitute a major part of the Group's source of funding for its development projects. Further, as confirmed by DTZ, there was no impairment in the value of its Group's properties as at the Latest Practicable Date. Therefore, the Directors are of the view that although the austerity measures will have adverse impact on the Group's overall financial performance, in respect of measures in restricting bank loans, the Directors considered that it will not have any material impact on the Group's current financing plan for its development projects.

During the Track Record Period, the Group has experienced 19 sales cancellations from purchasers, as the purchasers were barred from applying for mortgage loans and from registering as owners of the units as a result of the austerity measures. The total prices of the units which were subject to such sales cancellations were approximately RMB23.2 million (equivalent to approximately HK$28.7 million) and the deposits of such sales cancellations in an aggregate amount of approximately RMB1.9 million (equivalent to approximately HK$2.3 million) were returned to the purchasers. 15 properties out of the 19 cancelled properties were re-sold. In aggregate, the Group recorded an increase in sales amount in respect of re-selling the 15 properties.

The introduction of austerity measures by the PRC Government also adversely impacted the Group's GFA sold and revenues from sales of properties. In the first half of 2011, the Group encountered some difficulties in the pre-sales and sales of its property developments, in particular, the pre-sales of the Phases 2 and 3 of Fond England. In response to the drop, the Group considered it was expedient to defer its pre-sale schedule of Phases 2 and 3 of Fond England. The Directors believe that since July 2011, the property market in Nanning has started to recover from these austerity measures and regained its momentum to certain extent. The Group resumed the pre-sales of Phases 2 and 3 of Fond England in July 2011. The average selling prices for the pre-sales in 2012 were higher than the average selling prices in the first half of 2011.

Recent PRC austerity measures on the PRC property industry

In 2012, certain austerity measures have been implemented by the PRC Government including (i) "Circular on Continuing Implementing the Home-Buying Restrictions" as promulgated by the General Office of Nanning City Government on 24 February 2012 to continue the enforcement in restricting the number of houses to be purchased by resident families, (ii) "Administration Regulation of Pre-sale Proceeds of Commodity House of Nanning City" which will be implemented on 1 December 2012 by Nanning City Government to supervise the deposit of pre-sale proceeds of commodity house, (iii) Administrative Measures of Construction Land Plot Ratio which was implemented by MOHURD on 1 March 2012 to specify plot ratio on the land use right and (iv) the "Notice on the Strict Implementation of Land Use Standard and Vigorously Promoting Optimal Land Utilization" issued by MOLAR on 6 September 2012 to require strict implementation of the land use standards. For details of the recent PRC austerity measures on the PRC property industry please refer to Appendix IV of this prospectus.

REASONS FOR LISTING AND USE OF PROCEEDS

The Group intends to expand its property development and management service businesses in Nanning and to widen its use of green technology in different applications, including developing more residential buildings and renovating shopping centres and commercial buildings with green technologies, and regulating energy usage of its tenants with the view of conserving energy.

The Directors, after taking into account factors including no land reserves of the Group, the scale of the Group's property development (with only two property projects under development during the Track Record Period and in aggregate only two developed projects since the Group was founded) and the asset base of the Group (with total asset amounted to approximately HK$1,203.5 million as at 30 June 2012), considered that the scale of the Group's operation is relatively small in comparing to other Main Board listed companies in the property industry. The Directors are therefore of the considered view that the Group's scale of business will be more suitable to be listed on the GEM. Subject to the future development of the Group, should the scale of the Group's operation expand to a scale more comparable to other Main Board listed companies in the property industry in the future, the Directors may consider migrating to the Main Board in the future.

It is estimated that the total estimated costs for the Listing will be approximately HK$26.1 million. The Group recognised the listing expenses of HK$16.2 million during the Track Record Period and will further recognise the listing expenses of HK$9.9 million after the Track Record Period. The listing expenses of HK$12.8 million (including HK$6.7 million which were recognised as expenses for the six months ended 30 June 2012), will be recognised as expenses for the year ending 31 December 2012. It is noted that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions.

The net proceeds from the Placing, after deducting the total listing expenses of approximately HK$26.1 million, are estimated to amount to approximately HK$33.2 million (assuming a Placing Price of HK$0.79 per Share, being the midpoint of the indicative Placing Price range, and assuming that the Offer Size Adjustment Option is not exercised). It is currently intended that the net proceeds will be applied as follows:

- as to 51.8% of the net proceeds from the Placing, or about HK$17.2 million, for the development and operation of featured theme shopping mall (amounting to approximately HK$16.2 million) and maintenance of other investment properties (amounting to approximately HK$1.0 million), please refer to the sub-section headed "Implementation plans" under the section headed "Statement of business objectives and use of proceeds" in this prospectus for details of such use of proceeds;

- as to 38.3% of the net proceeds from the Placing, or about HK$12.7 million, will be applied to the perusal of potential acquisition opportunities or invest in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business); and

- the remaining net proceeds from the Placing, or about HK$3.3 million, will be applied as general working capital and other general corporate purposes of the Group.

The above allocations of the net proceeds from the Placing, other than the net proceeds for the development and operation of featured theme shopping mall above, will be adjusted on a pro rata basis in the event that the Placing Price is fixed at a point lower or higher than the midpoint of the indicative Placing Price range. For details of the effect of the Offer Size Adjustment Option, please refer to the paragraph headed "Reasons for the Placing and use of proceeds" under the section headed "Statement of business objectives and use of proceeds" of this prospectus. Assuming the Placing Price would be determined at HK$0.65 per Share, being the low end of the Placing Price range as stated in this prospectus, the total listing expenses payable/paid by the Group would account for over 50.0% of the gross proceeds to be received from the Placing.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong.

In the event that the net proceeds from the Placing are not sufficient for the above purposes, it is the intention of the Directors that these proceeds will be adjusted on a pro rata basis and that the shortfall will be financed by the Group's internal funds, the sale or pre-sales of Li Yuan Project and Fond England and debt financing.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables summarise the Group's consolidated financial information during the Track Record Period, which are extracted from the Accountants' Report set out in Appendix I to this prospectus.

Selected items of consolidated statements of comprehensive income

	Year ended 31 December		For the six months ended 30 June	For the six months ended 30 June
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	163,082	328,436	40,708	175,662
Gross profit	63,259	131,362	21,384	59,323
Gain on changes in fair value of investment properties *(Note)*	30,775	46,524	6,900	49,954
Profit before income tax	47,986	134,594	9,429	80,810
Profit for the year/period	24,529	78,294	6,069	46,647
Adjusted profit for the year/period excluding gain on changes in fair value of investment properties	8,457	47,950	1,451	11,337

Note: The fair values of the Group's investment properties are based on valuations of such properties conducted by DTZ, using property valuation techniques involving certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would be expected to result in changes in the fair value of the investment properties and corresponding adjustments to the amount of gains or losses reported in the consolidated statement of comprehensive income. The gain on changes in fair value attributable to these investment properties without proper title certificates were approximately HK$26.2 million, HK$4.4 million and HK$0.005 million respectively for the years ended 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012. For reasons of the fluctuation of the change in fair value of the Group's investment properties, please refer to the section headed "Financial information".

Selected items of consolidated statements of financial position

	At 31 December 2010	At 31 December 2011	As at 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	629,145	738,295	777,385
Current assets	502,220	522,902	426,146
Non-current liabilities	275,054	214,270	220,097
Current liabilities	421,387	510,859	406,290
Net current assets	80,833	12,043	19,856
Total equity	434,924	536,068	577,144

Note: The deteriorating of net current assets position in 2011 was primarily due to the increase in short-term borrowings in 2011 for (i) the repayment of the upcoming Fond England's construction loan due in 2012, which was used to finance the phases of the development of Fond England and (ii) the entering into two short-term entrusted loans during 2011 as the Group estimated capital requirement for the pre-development of Li Yuan Project could be significant during the year. The Group's net current assets position improved as at 30 June 2012 as compared to the corresponding period in 2011 mainly due to the decrease in current liabilities resulting from decrease in interest-bearing borrowings and taxation liabilities.

Selected items of the consolidated statement of cash flow

	2010	2011	For the six months ended 30 June 2011	For the six months ended 30 June 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating profit/(loss) before working capital changes	18,818	83,365	(2,187)	30,719
Net cash generated from/(used in) operating activities	70,813	17,441	3,507	(1,946)
Net cash generated from/(used in) investing activities	35,835	(10,157)	10,858	2,273
Net cash used in financing activities	(44,032)	(33,391)	(30,490)	(61,343)
Cash and cash equivalents as at 31 December/30 June	150,777	130,218	136,877	68,378

For commentary on significant fluctuation, please refer to the section headed "Financial information" of this prospectus.

LATEST BUSINESS, MARKET AND REGULATORY DEVELOPMENT

The Group showed steady development after the Track Record Period. The unaudited revenue for the 4 months ended 31 October 2012 amounted to approximately HK$92.5 million, HK$35.1 million, HK$45.4 million and HK$39.8 million respectively, which represented an increase as compared to the average monthly revenue for the six months ended 30 June 2012. After 30 June 2012 and up to the Latest Practicable Date, there were no material delays in the delivery progress of Fond England. Subsequent to the Track Record Period, the Group has commenced delivery to Tower 1, 15 to 18 of Fond England which was in-line with the scheduled delivery plan and pre-sold approximately 446 sq.m. of retail shops of Fond England. Set out below are the operational data of the Group subsequent to the Track Record Period and up to the 31 October 2012:

	Average selling price — residential units	Average selling price — carparks	Average selling price — retail shop	Pre-sales proceeds	GFA pre-sold (residential units, carparks and retail shops)	GFA sold and delivered (residential units, carparks and retail shops)
	HK$ per sq.m.	*HK$ per sq.m.*	*HK$ per sq.m.*	*HK$'000*	*sq.m.*	*sq.m.*
For the period between 1 July 2012 and up to 31 October 2012	13,297.93	4,386.26	55,449.98	94,526	5,968.22	16,718.20

Subsequent to the Track Record Period, in respect of property development, the Group has obtained all necessary licences and permits for the commencement of construction of Li Yuan Project and construction commenced in June 2012. The costs incurred for development of Li Yuan Project up to 31 October 2012 were within the Group's construction budget. In addition, construction progress of Li Yuan Project was in line with the construction plan.

In respect of the property leasing business, the Group undertook a renovation project with an expected renovation period from July 2012 to January 2013 for 4 properties located at Xingning Road and Minsheng Road respectively to enhance the fitouts and shopfronts of the properties. The Group has granted those affected tenants a rental concession including a six-month rent-free period and a two-month half-rent period commencing from the renovation period to compensate their loss arising from the renovation project. This concession is expected to decrease the property leasing income by approximately HK$3.6 million.

After 1 July 2012, the Group also experienced decrease in occupancy rates and fluctuation of rental rates of its investment properties (namely International Kitchen Supplies Centre and Yu Feng High Street). The decrease in occupancy rates of International Kitchen Supplies Centre was mainly due to a recent market downturn on construction materials market causing two tenants to request early termination of lease agreements and one tenant terminated the lease after the expiration of lease agreement in September 2012. The Directors are of the opinion that the vacant units might not be able to be filled up immediately. The Directors are of the view that such decrease in occupancy rates of

International Kitchen Supplies Centre will be offset by certain increase in rental rates during the period and therefore the Directors expect that the revenue contributed by the International Kitchen Supplies Centre for the year ending 31 December 2012 will remain comparable to that for the year ended 31 December 2011.

The decrease in occupancy rates of Yu Feng High Street was mainly due to the Group's latest strategy to upgrade the tenant mix of Yu Feng High Street, and as a result the Group re-arranged a number of tenancy arrangements. The Directors are of the view that the units vacated under the re-arrangement might not be able to be filled up within a short period of time as the Group intended to seek tenant mix which could upscale, and to re-position Yu Feng High Street as a trendy and fashionable shopping mall. Along with the up-scaling strategy, the Group has offered attractive rental rates to potential targeted new tenants in order to attract reputable trendy and fashionable shops. For consistence, similar attractive rental rates will also be offered to existing tenants. As Yu Feng High Street was re-opened in December 2011, taking into account the full year effect of rental contribution, despite Yu Feng High Street recorded a decrease in both occupancy rates and rental rates, the Directors expect that the revenue contributed by Yu Feng High Street for the year ending 31 December 2012 will increase as compared to that for the year ended 31 December 2011.

The Directors consider that, with the combined effect of the increase in sales and delivery of carparks of Fond England with low gross profit margin and the sales and delivery of retail shops of Fond England with relatively high gross profit margin in the second half of 2012, gross profit margin for the second half of 2012 may be comparable to that for the first half of 2012. Based on the unaudited management account of the Group for the four months ended 31 October 2012, the Group's gross profit margin remained stable at approximately 36.8%, as compared to the gross profit margin of the Group of approximately 33.8% for the six months ended 30 June 2012. In addition, the Group's financial performance for the year ending 31 December 2012 will be adversely affected by the non-recurring expenses incurred in relation to the Listing. The Group expects to incur listing expenses amounting to HK$12.8 million in the statement of comprehensive income for the year ending 31 December 2012. The Directors would like to emphasise that the listing expenses are a current estimate for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions.

The collection of the trade receivables during the four months ended 31 October 2012 was satisfactory. Substantial amount of trade receivables as at 30 June 2012 have been subsequently settled as at 31 October 2012.

In order to enhance the Group's operating position and provide it with greater financial flexibility in the long-term development of its business (including the development of Li Yuan Project), the Group will explore every viable financing options on terms acceptable to the Group from time to time. As at the Latest Practicable Date, the Group had received an offer letter from an independent corporation for the grant of an entrusted loan in the amount of approximately HK$49.4 million. Such entrusted loan is for a term of two years and will bear interest at the rate of 140.0% of PBOC lending rate per annum on the security of certain investment properties of the Group. The Directors confirmed that the terms of such new entrusted loan are comparable to those existing entrusted loans of the Group. In addition, the Group had been in negotiation with certain banks for the grant of a construction loan and a working capital loan to the Group, the applications of which were being reviewed and processed by the banks.

The Group intended to utilize such appropriate amount of loan available for drawdown within the fourth quarter of 2012 as general working capital.

Based on the latest construction schedule and progress and the expected proceeds generated from the sales and/or pre-sales of Fond England and pre-sales of Li Yuan Project, the Directors consider that it will have sufficient fund to finance its existing property projects (including Li Yuan Project) and it is expected that, barring any unforeseen circumstances, do not envisage that there will be material impact to the Group (including the development of Li Yuan Project) should it be unable to obtain the construction loan and working capital loan.

During the Track Record Period, the Group experienced 69 cases of delay in handover of properties due to the unavailability of the relevant purchasers to take possession of the properties. When estimating the Group's upcoming delivery schedule and working capital, the Group has taken into account such possibility of delay in handover of properties.

Deterioration of the Group's financial performance in 2013

The Group targets to sell and deliver (i) all of the remaining residential units and carparks of Fond England by the third quarter of 2013; (ii) all of the retail units of Fond England by 2012; and (iii) Li Yuan Project by December 2014. Accordingly, the net profit of the Group for the year ending 31 December 2013 is expected to decrease substantially due to the substantial decrease in expected GFA delivery of residential units. In addition, the expected sales and delivery of Block 10 of Phase 2 Fond England and substantial amount of carparks in 2013 (both of which are expected to record low gross profit margin) are also expected to decrease the gross profit margin of the Group for the year ending 31 December 2013 significantly as compared to the gross profit margin for the year ending 31 December 2012.

For latest market development, please refer to the sub-section headed "Latest market development in China since June 2012" in the section headed "Industry overview" of this prospectus. Please also refer to Appendix IV "Summary of principal PRC laws relating to the property sector" of this prospectus for details regarding the latest regulatory development.

STATISTICS OF THE PLACING

	Based on the Placing Price of HK$0.65 per Share	**Based on the Placing Price of HK$0.93 per Share**
Market capitalisation of the Shares	HK$195 million	HK$279 million
Unaudited pro forma net tangible asset value per Share	HK$1.85	HK$1.92

For details regarding statistics of the Placing, please refer to section headed "Structure and conditions of the Placing".

DIVIDEND POLICY

For the year ended 31 December 2010, the Group declared an one-off and non-recurring dividend of approximately HK$31.5 million. Any declaration and payment as well as the amount of dividends will be subject to the Group's constitutional documents, the GEM Listing Rules and laws in Hong Kong as well as the approval of the Shareholders. Please refer to the sub-section headed "Dividend policy" in the section headed "Financial information" of this prospectus for more details.

RISK FACTORS

The Group's business is subject to a number of risk factors described in the section headed "Risk factors" in this prospectus. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should read the whole section headed "Risk factors" of this prospectus carefully before you decide to invest in the Placing Shares. Some of the risk the Group faces include:

- The Group's business prospects and results of operations depend heavily on the performance of the property markets in the PRC, particularly in Nanning. The Group's property development projects and property related businesses were all located in Nanning as at the Latest Practicable Date. As a result, the Group's businesses and results of operations are heavily dependent and will continue to depend on the continuous growth and circumstances of the property markets in Nanning.

- The Group's unrealised fair value adjustments on investment properties may be different from the actual realisable value and is subject to change. There is no assurance that the fair value of the investment properties will continue to increase in the future.

- The Group's results of operation may vary significantly from period to period because the Group derives its revenue principally from the sales of properties. The Group's revenue, profit margin, and results of operation arising from different property development projects may fluctuate in the future due to a combination of factors, including but not limited to the overall development schedule of its property development projects, the level of acceptance of its properties by prospective customers, the timing of the sales of properties that it has developed and any volatility in expenses, such as land costs and construction costs.

- The Group's business and results of operations are significantly affected by the availability of land reserves.

- The Group has experienced decline in liquidity position and will have significant future projected capital expenditure in the foreseeable years.

- The Group requires substantial capital resources to fund its capital intensive business, any adverse change in the availability of such capital resources may significantly affect its business operations and prospects.

- The Group's business and financial performance may be adversely affected by delays in the Group's project development, delivery, sales and pre-sales schedules.

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

"Accountants' Report"	the accountants' report as set out in Appendix I to this prospectus
"Articles"	the articles of association of the Company adopted by resolutions of the Shareholders on 23 November 2012 and as amended from time to time, a summary of the current version of which is set out in Appendix V to this prospectus
"ASEAN"	The Association of Southeast Asian Nations, which is a geo-political and economic organisation of 10 countries comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Cambodia, Laos, Myanmar and Vietnam
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Bai Yi Commercial"	廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited*), a limited company established in the PRC on 9 September 1997 through the reorganisation and transformation in whole of a PRC state-owned enterprise known as 南寧市飲食公司 (Nanning Food and Beverage Company*), and formerly known as 南寧百益實業有限責任公司 (Nanning Bai Yi Industrial Enterprise Limited*) at the date of its establishment. It is an indirect non-wholly owned subsidiary of the Company
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 125,000,000 Shares to be made upon capitalisation of a certain sum standing to the credit of the share premium account of the Company referred to in the sub-paragraph headed "Resolutions in writing of the Shareholders passed on 23 November 2012 and 29 November 2012" under the paragraph headed "Further information about the Company and its subsidiaries" in Appendix VI to this prospectus

"CBRC"	China Banking Regulatory Commission* (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, for the purpose of this prospectus and unless otherwise indicated, excluding Hong Kong, Macau and Taiwan
"Chosen Leader"	Chosen Leader Limited, a company incorporated in the BVI with limited liability on 20 September 2010, which is beneficially wholly-owned by Dr. Elaine Eick (being one of the Controlling Shareholders)
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	South West Eco Development Limited (西南環保發展有限公司), an exempted company incorporated in the Cayman Islands on 18 February 2011 with limited liability
"Completed Construction Works Certified Report"	建設工程竣工驗收備案表, the report issued by the relevant government construction authorities in the PRC to certify completion of construction works
"Connected Person(s)"	has the meaning ascribed thereto under the GEM Listing Rules

"Construction Land Planning Permit"	建設用地規劃許可證, a permit issued by a local urban zoning and planning or an equivalent authority in the PRC authorising a developer to commence the survey, planning and design of a parcel of land
"Construction Planning Completion and Acceptance Certificate"	建設工程規劃驗收合格證, a certificate issued by the local urban zoning planning authorities certifying that the development has been accepted as completed in accordance with approval plans
"Construction Works Commencement Permit"	建築工程施工許可證, a permit issued by a local construction bureau or an equivalent authority in the PRC authorising the commencement of construction works
"Construction Works Planning Permit"	建設工程規劃許可證, a permit issued by a local urban zoning and planning bureau or an equivalent authority in the PRC indicating government approval for a developer's overall planning and design of a project and allowing a developer to apply for the Construction Works Commencement Permit for commencement of the relevant construction works
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules, and in the case of the Company, means First Beijing, Ease Gain, Chosen Leader, Dr. Lee, Mrs. Lee and Dr. Elaine Eick
"Director(s)"	the director(s) of the Company
"Dr. Elaine Eick"	Dr. LEE Tse Ching, Elaine (李紫清) also known as Dr. EICK Lee Tse Ching, Elaine, the vice-chairman of the Company, an executive Director and one of the Controlling Shareholders, and is the daughter of Dr. Lee and Mrs. Lee
"Dr. Lee"	Dr. LEE Kai Hung (李啟鴻), the founder of the Group, the chairman of the Board, a chief executive officer, an executive Director and one of the Controlling Shareholders, and is the spouse of Mrs. Lee and the father of Dr. Elaine Eick
"DTZ"	DTZ Debenham Tie Leung Limited, an independent property valuer
"Ease Gain"	Ease Gain Holdings Limited, a company incorporated in the BVI with limited liability on 3 November 2010, which is beneficially wholly-owned by Mrs. Lee (being one of the Controlling Shareholders)

"First Beijing"	First Beijing International Limited, a company incorporated in the BVI with limited liability on 13 October 2009, which is beneficially wholly-owned by Dr. Lee (being one of the Controlling Shareholders)
"GDP"	gross domestic product
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"GEM website"	*http://www.hkgem.com*, being the internet website operated by the Stock Exchange for the purposes of GEM
"Global Touch"	Global Touch Holdings Limited, a company incorporated in the BVI with limited liability on 8 November 2010 and a wholly-owned subsidiary of the Company
"Golden Yu Feng"	南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Co., Limited*), a company established in the PRC with limited liability on 4 August 2003 and an indirect non-wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries for the time being
"Guiping Yu Feng"	桂平市裕豐房地產開發有限公司 (Guiping Yu Feng Real Estate Development Company Limited*), a company established in the PRC with limited liability on 24 July 2006, and an indirect non-wholly owned subsidiary of the Company prior to its disposal by Yu Feng Real Estate on 30 December 2010, the details of which are set out under the sub-section headed "Corporate reorganisation" in the section headed "History and development" of this prospectus
"Haitong International Capital" and/or "Sole Sponsor"	Haitong International Capital Limited, a licensed corporation under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor to the Listing

"HKFRS(s)"	Hong Kong Financial Reporting Standards, which includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" and "cents" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Independent Third Party(ies)"	a person(s) or entity(ies) who or which is/are independent of and not connected with any Directors, the chief executive, or the Substantial Shareholders (both as defined in the GEM Listing Rules) of the Company or any of its subsidiaries and their respective associates and is/are not otherwise a Connected Person of the Company
"ISO"	International Organisation for Standardisation, a non-governmental organisation for development and publication of international standards of various types, is a network of national standard institutes set up in 163 countries
"Joint Bookrunners" and/or "Joint Lead Managers"	Cinda International Securities Limited, Orient Securities Limited and Ping An of China Securities (Hong Kong) Company Limited
"land grant contract"	Land Use Rights Grant Contract (國有土地使用權出讓合同), an agreement setting out the terms and conditions for the grant of land use right in relation to state-owned land by the relevant PRC local government authority in favour of an assignee or transferee
"land use right certificate(s)"	國有土地使用權證, a certificate (or certificates as the case may be) of the right of a party to use a parcel of state-owned land subject to certain conditions
"LAT"	Land Appreciation Tax (土地增值稅) as defined in 中華人民共和國土地增值稅暫行條例 (Provisional Regulations on Land Appreciation Tax of the PRC) which became effective in January 1994 and its implementation rules
"Latest Practicable Date"	21 November 2012, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus

"Leepark Business Service"	Guangxi Nanning Leepark Business Service Company Limited* (廣西南寧利柏商務服務有限公司), a company established in the PRC with limited liability on 29 September 2003 and an indirect wholly-owned subsidiary of the Company
"Leepark Holdings"	Leepark Holdings Limited (利百控股有限公司), a company incorporated in Hong Kong with limited liability on 5 June 2006 and an indirect wholly-owned subsidiary of the Company
"Leepark (Netherlands)"	Leepark (Netherlands) Limited (利百(荷蘭)有限公司), a company incorporated in Hong Kong with limited liability on 27 May 2006 and an indirect wholly-owned subsidiary of the Company
"Leepark UK"	Leepark Properties Limited, a company incorporated in UK with limited liability on 11 July 1989, the trustee of Ruby Properties in respect of its interest in Yu Feng Real Estate and Golden Yu Feng prior to its transfer of such interest to Ruby Properties as part of the Reorganisation
"Listing"	the listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares first commence on GEM, which is expected to be 14 December 2012
"Listing Division"	the listing division of the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"MOF"	The Ministry of Finance of the PRC* (中華人民共和國財政部)
"MOFCOM"	The Ministry of Commerce of the PRC* (中華人民共和國商務部)
"MOHURD"	The Ministry of Housing and Urban-Rural Development of the PRC* (中華人民共和國住房和城鄉建設部), formerly known as the Ministry of Construction of the PRC* (中華人民共和國建設部)
"MOU"	memorandum of understanding
"Mrs. Lee"	Ms. CHAN Koon Woon (陳莞媛), also known as Mrs. LEE Chan Koon Woon (李陳莞媛), an executive Director and one of the Controlling Shareholders, and is the spouse of Dr. Lee and the mother of Dr. Elaine Eick

"New Merit"	New Merit Holdings Limited, a company incorporated in the BVI with limited liability on 25 November 2009 and an indirect wholly-owned subsidiary of the Company
"NHSREMB"	Nanning Housing Security and Real Estate Management Bureau* (南寧市住房保障和房產管理局) (formerly known as Nanning Real Estate Management Bureau* (南寧市房產管理局))
"NPAB"	Nanning Planning and Administration Bureau* (南寧市規劃管理局)
"NPC"	The National People's Congress* (全國人民代表大會)
"Offer Size Adjustment Option"	the option granted by the Company to the Underwriters, exercisable by the Joint Lead Managers (acting for themselves and on behalf of the Underwriters), at their sole and absolute discretion under the Underwriting Agreement to require the Company to issue up to an additional 11,250,000 Shares, representing 15.0% of the number of the Placing Shares, at the Placing Price, details of which are described in the section headed "Structure and conditions of the Placing" of this prospectus
"PBOC"	The People's Bank of China* (中國人民銀行), the central bank of the PRC
"Placing"	the conditional placing of the Placing Shares at the Placing Price by the Underwriters on behalf of the Company as described in the section headed "Structure and conditions of the Placing" of this prospectus
"Placing Price"	the final price per Placing Share which will not be more than HK$0.93 per Placing Share and is expected to be not less than HK$0.65 per Placing Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on the Price Determination Date
"Placing Shares"	75,000,000 new Shares being offered by the Company at the Placing Price for subscription under the Placing, together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option subject to the terms and conditions as described in the section headed "Structure and conditions of the Placing" of this prospectus

"PRC Government" or "State"	the central government of China including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, where the context requires, any of them
"PRC Legal Advisor"	GFE Law Office, the Company's legal advisor as to PRC law
"Pre-Sales Permit"	商品房預售許可證, a permit issued by a local housing and building authorities bureau or an equivalent authority in the PRC authorising a developer to commence the presale of commodity property under construction
"Price Determination Date"	the date which is expected to be on or about 7 December 2012, on which the Placing Price is fixed for the purpose of the Placing
"Renminbi" or "RMB"	Renminbi or yuan, the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation undertaken by the Group in preparation for the Listing, the particulars of which are further described under the sub-paragraph headed "Group reorganisation" in Appendix VI to this prospectus
"Ruby Properties"	Ruby Properties Limited (寶石置業有限公司), a company incorporated in Hong Kong with limited liability on 19 October 2009 and an indirect wholly-owned subsidiary of the Company
"SAFE"	The State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外匯管理局)
"SAT"	The State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by the Company pursuant to resolutions passed by the Shareholders on 23 November 2012, the principal terms of which are summarised in the sub-paragraph headed "Share Option Scheme" in Appendix VI to this prospectus

"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.1 each in the share capital of the Company
"Significant Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Track Record Period"	the period comprising each of the two financial years ended 31 December 2010 and 2011 and the six months ended 30 June 2012
"Underwriters"	the underwriters of the Placing listed in the paragraph headed "Underwriters" in the section headed "Underwriting" of this prospectus
"Underwriting Agreement"	the conditional underwriting agreement relating to the Placing entered into on 29 November 2012 between the Company, the Sole Sponsor, the Controlling Shareholders, the executive Directors, the Joint Lead Managers and the Underwriters, particulars of which are summarised in the section headed "Underwriting" of this prospectus
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America
"US$"	United States dollars, the lawful currency of the US
"WTS Real Estate"	南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited*), a company established in the PRC with limited liability on 3 August 2001 and an indirect non-wholly owned subsidiary of the Company
"Yu Feng Real Estate"	南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited*), a company established in the PRC with limited liability on 27 July 1993 and an indirect non-wholly owned subsidiary of the Company
"%"	per cent

For the purpose of illustration only and unless otherwise specified in this prospectus, conversion of RMB into HK dollars is calculated at the conversion rate of RMB1.00 = HK$1.234. No representation is made that any amounts could have been, or could be, converted into HK dollars, or vice versa, at such rates or at any other rate on such date or any other date.

Any discrepancies in any table between the total shown and the sum of the amounts (including percentages) listed are due to rounding.

If there is any inconsistency between the Chinese names of entities and enterprise established in the PRC and their English translations or the names of the PRC laws or regulations and their English translations, the Chinese names shall prevail. The English translation of names in Chinese which are marked with "*" and the Chinese translation of names in English which are marked with "*" is for identification purpose only.

The glossary contains explanations of certain terms used in this prospectus as they relate to the business of the Group. As such, these terms and their meanings may not correspond to the standard industry meaning or usage of these terms.

"GB/T 19001"	GB/T 19001 is the Chinese national certification for quality management systems, it is also the Chinese equivalent of the ISO 9000 standards
"GB/T 24001"	GB/T 24001 is the Chinese national certification for environmental management systems, it is also the Chinese equivalent of the ISO 14000 set of standards
"GFA"	gross floor area
"Green Building"	綠色建築, refers to a building that has met the Green Building Standards by demonstrating its ability to achieve the maximum capacity during construction and over its life to conserve resources including (i) the conservation of energy, land, water and construction materials; (ii) the protection of environment; and (iii) the reduction of pollution
"Green Building Standards"	The PRC's Evaluation Standards for Green Buildings《綠色建築評價標準》GB/T 50378-2006
"green coverage ratio"	the ratio of GFA of greenery to the total GFA of the project
"ISO 9001"	ISO 9001 is a part of the ISO 9000 standards that specify the requirements for quality management systems that enable organisations to ensure that they meet the demands of customers and other stakeholders. It applies to the quality management aspects that the organisation identifies as being under its control and under which it can exert influence. In general it is a system of guidelines to follow in order to ensure quality control
"ISO 14001"	ISO 14001 is a part of ISO 14000 standards that specify the requirements for the environmental management system to enable an organisation to develop and implement operating policies and objectives that take into account significant environmental issues. It applies to the environmental aspects that the organisation identifies as those which it can control and those which it can influence. It does not itself state specific environmental performance criteria

"mm"	millimetres
"mu"	1 mu equivalent to 666.67 sq.m.
"ordinary steel bar"	steel bar with diameter of less than 10 mm
"PARB"	Performance Assessment of Residential Buildings
"plot ratio"	in relation to a plot of land the ratio of the aggregate floor area (excluding floor area below ground) of all buildings erected or to be erected on that plot of land that is regarded or countable as GFA to the total site area of that plot of land
"reinforced steel bar"	steel bar with diameter of more than 10 mm
"rentable GFA"	in relation to (i) completed property projects (excluding investment properties) of the Group, the total rentable GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for leasing purposes; and (ii) investment properties of the Group, the actual measurement size of the investment properties
"saleable GFA"	in relation to (i) completed property projects, the total saleable GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for sale purposes; and (ii) uncompleted property projects where the total saleable GFA information refers to the saleable GFA as shown in the Pre-Sales Permits, survey documents for sales purposes
"sq.ft."	square foot or feet as the case may be
"sq.km."	square kilometer(s)
"sq.m."	square meter(s)
"storey"	references to the number of storey of a building is counted from the ground level upward
"Technical Standards for PARB"	Technical Standards for Performance Assessment of Residential Buildings* (住宅性能評定技術標準) promulgated by the Ministry of Construction of the PRC (中華人民共和國建設部) (now known as MOHURD) on 30 November 2005 and become effective on 1 March 2006

Investment in the Placing involves high risks and speculation. Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risk factors and special considerations in connection with an investment in the Company before making any investment decision in relation to the Company. It is possible that damage to the Group's business, financial position and operating results may arise from other risk factors and uncertainties that the Company is unaware of, or investment factors that the Company considers insignificant at present. The market price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP

The Group's business prospects and results of operations depend heavily on the performance of the property markets in the PRC, particularly in Nanning

The Group's property development projects and property related businesses were all located in Nanning as at the Latest Practicable Date. As a result, the Group's businesses and results of operations are heavily dependent and will continue to depend on the continuous growth and circumstances of the property markets in Nanning. The property markets may be affected by local, national and global factors, including overall economic and financial conditions, policies and measures of the Nanning municipal government as well as the PRC Government, and demand for and supply of properties in Nanning.

There is no assurance that the demand for and price of properties in the PRC and Nanning can be sustainable as market demand and price are often linked with volatile market conditions and policies implemented by the PRC Government. In addition, there is no assurance that the Group would enjoy benefits from the future growth of the property markets in the PRC in general or in Nanning as the rapid growth of the property markets of Nanning may lead to oversupply of properties, which may result in a decrease in property prices and greater difficulty in selling or leasing the Group's properties. Any changes in market conditions or PRC policies, in particular, those related to Nanning, may have a material adverse impact on the Group's businesses, results of operation and financial position.

The Group's unrealised fair value adjustments on investment properties may be different from the actual realisable value and is subject to change

The changes in fair value of the Group's investment properties for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 were approximately HK$30.8 million, HK$46.5 million and HK$50.0 million respectively. The gain on changes in fair value attributable to these investment properties without proper title certificates was approximately HK$26.2 million, HK$4.4 million and HK$0.005 million respectively for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012. The recognition of such gains did not generate any actual cash inflow. The fluctuations in gains from fair value of the investment properties during the years were significantly affected by the prevailing property market conditions and are subject to market fluctuations. Unforeseeable changes to the development of property projects as well as national and local economic conditions may also affect the value of the Group's property projects.

There is no assurance that the fair value of the investment properties will continue to increase in the future. The fair value of investment properties may decrease in the event that the property markets in the PRC experience a downturn or the PRC Government implements any policies resulting in a general decline in property price. Any decrease in the fair value of the investment properties in the future will have an adverse effect on the Group's business, results of operations and financial position.

The Group's business and results of operations are significantly affected by the availability of land reserves

During the Track Record Period, the Group derived the majority of its revenue from the sales of properties developed by the Group. The Group believes that the growth and success of the Group's business on property development depends on its ability to secure sufficient land reserves for further development. The land reserves can be acquired through land auction or by acquisition. Historically, the Group obtained its land reserves of properties through acquisitions of the equity interests of WTS Real Estate and Bai Yi Commercial. As at the Latest Practicable Date, the Group had a total of two property projects in Nanning under development with a total GFA of approximately 62,463 sq.m., including GFA unsold of approximately 16,430 sq.m. for Fond England and saleable GFA of approximately 46,033 sq.m. for Li Yuan Project. As at the Latest Practicable Date, the Group had no land reserves. The Group may not be able to continue to identify and acquire land suitable for property development. The Group's ability to acquire land may depend on factors such as the overall economy, competition and the effectiveness of its management in identifying and consummating such deals as well as the internal and other resources (for example, bank borrowing available for the purpose of financing the acquisition costs). Any failure to secure sufficient land reserves in the future will have an adverse effect on the Group's business, results of operations and financial position.

The Group's financial results may be adversely affected by rising costs of construction

The costs of construction (which include but not limited to costs construction materials, such as steel and cement, sub-contracting costs and labour) in respect of the property development business of the Group has significantly increased over the years as the Group continues to apply modern, green technologies in its property development business, the construction material costs continues to experience different degrees of fluctuations and upward adjustments based on the material purchase index, and the PRC Government's implementation of stricter labour laws which includes the PRC Labour Contract Law* (中華人民共和國勞動合同法) (which calls for the implementation of, among others, the minimum wage policy) promulgated by the NPC on 29 June 2007 and implemented on 1 January 2008 and other related regulations, rules and provisions from time to time.

The costs of construction materials, in particular steel and cement which are two of the most dominant building construction materials, have soared sharply over the years. For details, please refer to the sub-paragraph headed "cost of sales" under the paragraph headed "Description of certain profit or loss items" under the section headed "Financial information".

According to the Notice of Adjustment of Minimum Wage Standard* (關於調整全區職工最低工資標準的通知) issued by The People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自

治區人民政府) on 7 September 2010, the minimum wage of employees in Nanning was increased from RMB670 per month in 2008 to RMB820 per month in 2010, and further increased to RMB1,000 per month in 2012 according to the latest Notice of Adjustment of Minimum Wage Standard issued on 14 January 2012.

The construction costs of the Group's property development business were approximately HK$62.9 million and approximately HK$146.8 million, representing approximately 63.0% and 74.5% respectively of the Group's cost of goods sold for the years ended 31 December 2010 and 2011. The average selling prices of the Group's properties would also fluctuate in tandem with the rising costs of construction. For instance, residential units of Phase 1 of Fond England sold and delivered in the corresponding periods rose from approximately HK$5,658 per sq.m. in 2010 to HK$8,895 per sq.m. in 2011.

Any material increase in the Group's costs of construction may exert pressure on the operating costs of the Group with a negative effect on its revenue and profitability if the Group cannot pass any or all of the increased costs of construction on to its customers.

The Group guarantees mortgage loans of its customers and may become liable to mortgagee banks if customers default on their mortgage loans

Consistent with industry practice, the Group usually commences pre-sales before completion of construction. Typically, the Group guarantees mortgage loans taken out by its customers until either (i) the Group completes the development of the relevant property and the property ownership certificates and certificates of other interests with respect to the relevant property are delivered to the mortgagee banks, or (ii) the settlement of the mortgage loans between the mortgagee bank and the purchasers. If a purchaser defaults on a mortgage loan, the Group may have to repossess the underlying property by paying off the mortgage. If the Group fails to do so, the mortgage bank may auction the underlying property and recover any shortfall from the Group as the guarantor of the mortgage loans.

As of 31 December 2010, 31 December 2011 and 30 June 2012, the Group's outstanding guarantees in respect of its customers' mortgage loans amounted to approximately HK$244.6 million, HK$199.1 million and HK$200.5 million respectively. Should any material default occur and if the Group is called upon to honour its guarantees, the Group's results of operations and financial position may be adversely affected.

The Group's profitability and results of operations are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect the Group's financing costs and the results of operations. As part of the Group's bank borrowings are in Renminbi, the interest rates on the Group's bank borrowings are impacted by the benchmark interest rate set by the PBOC, which has fluctuated significantly in recent years. The PBOC benchmark one-year bank lending rate decreased from 6.1% to 5.3% between 2007 and 2008, and later increased to 6.6% in 2011 and 6.0% in 2012. As of the Latest Practicable Date, the interest rate on the Group's outstanding PRC bank borrowing was 7.9%. The interest costs incurred by the Group for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 were approximately HK$11.1 million, HK$12.1 million and HK$4.7 million respectively. There is no assurance that the PBOC will not raise benchmark interest rate further or otherwise discourage bank lending, which could adversely affect the Group's business, results of operations and financial position.

The Group's sales and operating revenues could decline due to macro-economic and micro-economic factors beyond the Group's control

In response to concerns over the scale of the increase in property investments, the PRC Government has introduced policies to curtail property development. For instance, the introduction of measures requiring that at least 70.0% of a residential project must consist of units with a GFA of less than 90 sq.m. per unit, and the minimum amount of down payment was increased to 30.0% of the purchase price of the underlying property if the purchaser intend to obtain a bank loan to finance the purchase of his or her first property, and the increase of minimum down payment to 60.0% for any subsequent purchase of residential property and the purchaser intend to obtain a bank loan to finance the purchase of his or her second property, and together with the price control measures under Notice No. 61. Please refer to the section headed "Summary of principal PRC laws relating to the property sector" in Appendix IV to this prospectus for details.

In addition, any substantial increase in mortgage interest rates or unavailability of mortgage financing could affect adversely the ability of prospective buyers of residential units to obtain the financing they would need in order to purchase residential units of the Group. If mortgage financing became less available, demand for residential units could decline. A reduction in demand could also have an adverse effect on the pricing of the residential units of the Group because the Group and its competitors may reduce prices in an effort to better compete for buyers of residential units.

The austerity measures implemented by the PRC and Nanning government have led to certain adjustment to the average selling price and a drop of the volume of sales of the Nanning real estate market generally. On the sales and pre-sales of Phases 1, 2 and 3 of Fond England, the total GFA sold and/or pre-sold by the Group decreased from 9,541 sq.m. in the third quarter of 2011 to 7,482 sq.m. in the fourth quarter of 2011 and further to 4,720 sq.m. and 4,836 sq.m. for the first two quarters of 2012, respectively.

The PRC Government's restrictive regulations and measures to curtail the overheating of the property sector could further increase the operating costs of the Group in adapting to these regulations and measures, limit the Group's access to capital resources or even restrict the business operations of the Group. Any additional or more stringent regulations or measures could further slow down property development in the PRC and adversely affect the business and prospects of the Group.

The Group's business and financial position may be adversely affected by the intensified competition

From time to time, competitors may enter into the property development market in Nanning where the Group's operations have been based. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of government approvals, and higher costs to attract or retain talented employees. Property markets across Nanning may also be influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If the Group fails to maintain its competitive advantages, the Group's business, results of operations and financial position will suffer.

The Group requires substantial capital resources to fund its capital intensive business; any adverse change in the availability of such capital resources may significantly affect its business operations and prospects

The property development business in China requires substantial amount of financial resources. The Group financed its property projects primarily through a combination of proceeds from sales/pre-sales of properties and bank borrowings. The total borrowings of the Group, including current and non-current borrowings, as at 31 December 2010 and 2011 and as at 30 June 2012 were approximately HK$162.2 million, HK$153.6 million and HK$97.9 million respectively and the net debt to equity ratio as of 31 December 2010 and 2011 and as at 30 June 2012 were 2.7%, 4.4% and 5.4% respectively. For more information on the Group's indebtedness and collateral, please refer to the sub-section headed "Indebtedness" in the section headed "Financial information" of this prospectus. There is no assurance that the Group will be able to obtain bank loans or renew existing credit facilities in the future on terms acceptable to the Group or at all.

The Group has incurred and will continue to incur interest expenses in relation to the bank and other borrowings. All interest expenses have been or will be capitalised as properties under development, properties held for sales and investment properties rather than being recorded as expenses in the consolidated statement of comprehensive income upon their incurrence.

The amounts of the capitalised interests for the properties under development were approximately HK$10.0 million, HK$10.4 million and HK$10.3 million as of 31 December 2010 and 2011 and as at 30 June 2012 respectively. The amounts of capitalised interests for properties held for sales were approximately HK$1.1 million, HK$3.0 million and HK$3.2 million as of 31 December 2010 and 2011 and as at 30 June 2012 respectively. Such capitalised interest expense will be recorded as expenses in the consolidated statement of comprehensive income as a portion of cost of sales upon recognition of the sale of the relevant properties. The capitalised interests included in cost of sales for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 were HK$2.3 million, HK$4.8 million and HK$2.5 million respectively. Accordingly, such capitalised interest expenses may adversely affect the gross profit margin upon recognition of the sales of the relevant properties in future periods. The amounts of the capitalised interests in the investment properties for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 were HK$4.5 million, HK$5.5 million and HK$2.3 million respectively. Accordingly, such capitalised interest expenses may adversely affect the net profit margin upon recognition of the sales of the relevant properties in future periods.

The Group's ability to procure adequate financial resources and cash flow for land acquisition and property development depends on a number of factors that may be beyond its control, including and without limitation, credit market conditions and the relevant policies and regulations implemented by the PRC Government. Poor credit market conditions, such as those encountered globally during the global financial crisis and economic downturn in 2008 and 2009, may limit the Group's ability to obtain bank loan facilities or raise sufficient funds through debt issuances and in extreme circumstances may lead banks to withdraw existing undrawn bank facilities. In recent years, the PRC Government has introduced numerous policy initiatives in the financial sector to further tighten the requirements for lending to property developers, by among other things:

➢ increasing the RMB deposit reserve ratio for commercial banks. The PBOC has raised the RMB deposit reserve ratio for commercial banks on a number of occasions since January 2010 up to November 2011, subsequently reduced the RMB deposit reserve ratio starting from December 2011 and as at the Latest Practicable Date, the RMB deposit reserve ratio for commercial banks was 20.0%;

➢ restricting PRC commercial banks from granting loans for the development of luxury residential properties and houses;

➢ prohibiting PRC commercial banks from granting loans to a property developer to fund a project if the property developer's internal funds available for the project are less than 35.0% of the estimated total investment required for the project; and

➢ restricting commercial banks from granting loans to property developers holding large amounts of idle land and vacant commodity properties which are specifically identified by the PRC land and resources authority and the PRC construction authority.

For details, please refer to Appendix IV of this prospectus.

As a result of PRC Government's introduction of numerous policy initiatives in the financial sector to further tighten the requirements for lending to property developers, the Group has entered into two short-term entrusted loans during 2011 for financing pre-development of Li Yuan Project.

The foregoing and any further government actions and policy initiatives which may be introduced by the PRC Government may constrain and limit the Group's flexibility and ability to use bank loans to finance its property projects. As a result, the Group may be required to maintain and depend on a relatively high level of internally sourced funds, which may adversely affect the Group's business, financial condition and results of operations.

The Group may not be able to continue to attract and maintain key tenants for its leasing business

The Group believes that maintaining a high tenancy rate in its commercial properties is important to its overall business and performance. The average occupancy rates of the property portfolio of the Group's property leasing business during the Track Record Period are set out in the sub-paragraph headed "Occupancy" under the paragraph headed "Property leasing business" of the section headed "Business" in this prospectus.

As at the Latest Practicable Date, other than Yu Feng Plaza's carparks, the property portfolio of the Group's property leasing business that was rentable was approximately 90.0% occupied. Future economic downturns or regional downturns may impair the Group's ability to secure renewal of the leases upon their expiration or lease the rentable space and the ability of the tenants to fulfill their lease commitments. In addition, as the Group has adopted the strategic approach of attracting well-known domestic and foreign brands as tenants, higher costs in maintaining the cleanliness, quality and attractiveness of its leasing properties may be incurred to entice tenants to commit to longer-term tenancy.

There is no assurance that the existing tenants will not consider other leasing properties available in the market. The term of the leases entered into with the Group primarily ranges from 5 months to 10 years with different expiry dates. Taking into account that many of the Group's leases were 24 months or less, the Group's properties are sensitive to market fluctuations. If the Group cannot respond more quickly or effectively to changes in market conditions, customer preferences, or government policies than its competitors, the Group may lose current and potential tenants to its competitors and/or have difficulties in renewing leases or entering into new leases. If the Group fails to attract well-known brands as its new tenants or maintain its existing anchor tenants, the attractiveness and competitiveness of its commercial complexes and leasing properties may be adversely affected.

The Group's business and financial performance may be adversely affected by its tenants, including key tenants, who may vacate the rental premises and cease paying rent before the expiration of the term of the tenancy agreements

Notwithstanding the term of the tenancy agreements, tenants may decide to terminate the tenancy agreement prematurely and unilaterally by vacating the premises and cease paying rent prior to the expiration of the tenancy agreement for a period that is beyond that covered by the rental deposits. Should any one or more of the Group's key tenants terminate the tenancy agreement prior to the expiration of the tenancy agreement and the Group cannot recover its losses after forfeiting the rental deposits paid by the defaulting tenant(s) or through legal actions or otherwise, the Group's results of operations and financial position may be adversely affected.

The Group's business and financial performance may be adversely affected by property owners who may terminate the Group's engagement as the provider of property management services

The Group's subsidiary, Golden Yu Feng, has been providing property management services to property owners of its property developments. Under PRC laws and regulations, the homeowners of a residential community of certain scale have the right to change the property management service provider upon the consent of a certain percentage of the homeowners. If the homeowners of the projects that the Group developed choose to terminate its property management services, or property buyers are not satisfied with the Group's property management services, the reputation of the Group, as well as its business and financial performance, could be materially and adversely affected.

The Group's results of operation may vary significantly from period to period because the Group derives its revenue principally from the sales of properties

During the Track Record Period, the Group derived the majority of its revenue from the sales of residential properties and carparks that it has developed. The Group's revenue, profit margin, and results of operation arising from different property development projects may fluctuate in the future due to a combination of factors, including but not limited to the overall development schedule of its property development projects, the level of acceptance of its properties by prospective customers, the timing of the sales of properties that it has developed and any volatility in expenses, such as land costs and construction costs. Typically, as the overall development approaches completion, the sales price of the properties may increase because an established residential community would become available to purchasers. Therefore, the period-to-period comparison of the Group's operating results may not be meaningful because the Group's business, results of operation and financial position may vary significantly in one or more periods due to the above factors.

Fluctuation of the Group's net profit and net profit margin may adversely affect the Group's financial condition

During the Track Record Period, the Group recorded net profit of approximately HK$24.5 million, HK$78.3 million and HK$46.6 million for the two years ended 31 December 2011 and the six months ended 30 June 2012 respectively; whereas the Group's net profit margin was approximately 15.0%, 23.8% and 26.6% respectively. The net profit and net profit margin was attributable to, among others, (i) an increasing trend in the Group's certain construction costs as detailed in the sub-section headed "The Group's financial results may be adversely affected by rising costs of construction" in this section and (ii) the gain on changes in fair value of investment properties of approximately HK$30.8 million, HK$46.5 million and HK$50.0 million for the two years ended 31 December 2011 and the six months ended 30 June 2012 respectively and corresponding deferred tax on the gain on changes in fair value of investment properties of approximately HK$14.7 million, HK$16.2 million and HK$14.6 million for the two years ended 31 December 2011 and the six months ended 30 June 2012 respectively. Accordingly, the adjusted net profit of the Group excluding gain on changes in fair value of investment properties and corresponding deferred tax on the gain on changes in fair value of investment properties was approximately HK$8.5 million, HK$48.0 million and HK$11.3 million for the two years ended 31 December 2011 and the six months ended 30 June 2012 respectively, representing a net profit margin of approximately 5.2%, 14.6% and 6.5%.

There is no assurance that the Group's net profit margin will remain stable in the future and the Group's financial condition may be adversely affected by any decrease in the net profit and net profit margin.

The Group's cash flow may vary significantly from period to period because cash flows generated from the pre-sales and sales of properties represent the Group's largest source of cash

During the Track Record Period, as the Group derived the majority of its revenue from the sales of residential properties and carparks that it has developed, the cash flow of the Group as a result depended on the timing of the Group's pre-sales and sales of these properties and carparks. The Group received proceeds from pre-sales of property projects (including residential properties and carparks) of approximately HK$282.0 million (which comprised of approximately HK$255.4 million of residential properties and HK$26.6 million of carparks), HK$260.4 million (which comprised of approximately HK$229.6 million of residential properties and HK$30.8 million of carparks) and HK$115.8 million (which comprised of approximately HK$110.9 million of residential properties and HK$4.9 million of carparks) for the two years ended 31 December 2011 and for the six months ended 30 June 2012, respectively. Therefore, period to period comparison of the Group's cash flow may not be meaningful because the Group's pre-sales and sales of properties may vary significantly in one or more periods.

The Group's business and financial performance may be adversely affected by the numerous potential risks from the pre-sales of properties

The proceeds received from the pre-sales of the Group's properties are an important source of funding for the Group's business. The Group received proceeds from pre-sales of property projects (including residential properties and carparks) of approximately HK$282.0 million, HK$260.4 million and HK$115.8 million as of 31 December 2010, 31 December 2011 and 30 June 2012, respectively. Failure to complete a property development project which has been fully or partially pre-sold would cause the Group to become liable to purchasers of pre-sold units for losses that they may suffer. The Group cannot provide assurance that such losses would not exceed the purchase price paid for the pre-sold units. If a pre-sold property project is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery. In the event that the delay extends beyond a certain period of time, the affected purchasers may even be entitled to terminate the pre-sales agreement and claim damages. Consequences to the above may adversely affect the Group's reputation in the industry and also give rise to potential liabilities to the Group. As such, it would have a material adverse effect on the Group's business, results of operations and financial position.

Under the current PRC laws and regulations, the Group must fulfil certain conditions before obtaining Pre-Sales Permits and commencing the pre-sales of the relevant property projects. In August 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" and recommended discontinuing the practice of pre-selling unfinished properties because such practices, in the PBOC's opinion, have a tendency to create significant market risks and generate transactional irregularities. Although this and similar recommendations had not been adopted by the PRC Government as at the Latest Practicable Date, there can be no assurance that the PRC Government will not adopt such recommendations and ban the practice of pre-selling unfinished properties or implement further restrictions on the pre-sale practice in the future, or impose additional conditions for obtaining a Pre-Sales Permit or imposing further restrictions on the use of pre-sales proceeds. Any such measures will adversely affect the Group's cash flow position and force the Group to seek alternative sources of funding for most of its property development business.

The Group's businesses are subject to a number of registrations, approvals, permits and certificates from relevant government departments

Companies engage in property related businesses must comply with various laws and regulations, including rules stipulated and enforced by national and local governments. Particularly for developing a property, the Group is required to obtain various approvals, permits and certificates before commencement of the construction and throughout the development process.

Any failure on the part of the Group to attend to, or any material delays in registrations, obtaining or failure to obtain the requisite governmental approvals and certificates, or in the construction schedules and the pre-sales of property projects could have a material adverse effect on its business, results of operations and financial position.

The Group may place extensive reliance on principal contractors to provide various services whose services may not always satisfy the Group's requirements

The Group engaged external construction contractors to carry out various services, including design, foundation digging, construction, equipment installation, electrical and mechanical engineering, pipeline engineering, elevator installation, and landscape building. The Group selected principal contractors mainly through a tender system. All principal contractors were Independent Third Parties. The Group endeavours to employ companies with good reputations, creditability and financial resources, but any such principal contractor may fail to provide satisfactory services at the level of quality or within the timeline required by the Group. There is no assurance that the principal contractors would meet with all the Group's requirements and would not deliver substandard work. The Group may incur additional costs in respect of the remedial actions to be taken (including the replacement of such contractors) as well as the potential compensation payable to customers in the event of any delay. Any of these factors may have a negative impact on the Group's reputation, creditability, business and financial position.

In accordance with the PRC laws, the Group should engage a qualified building administrator* (監理人) to supervise the progress of the contractors. However, there is no assurance that the building administrator engaged by the Group, who would be an Independent Third Party, would carry out the quality control and inspections that meet with the Group's requirements and ensure that the contractors would carry out its work in accordance with the Group's requirements.

Tender prices of contractors that are accepted by the Group would be based on the Group's estimates of time and costs involved in a project but such estimates may deviate from the actual time and costs incurred

In selecting contractors and suppliers for development projects, one of the factors relied on by the Group would be the reasonableness of tender prices. Such tender prices would be determined based on the Group's estimates of time and costs involved in a development project. The estimates would be based on the Group's experience and knowledge in project development, the Group's understanding of the availability and supply of materials and labour, and the general price index of the PRC economy as a whole. The estimates, however, may deviate from the actual time and costs incurred, leading to cost over-run.

The Group may be involved in legal and other disputes from time to time arising out of its operation and may face significant liabilities as a result

The Group may be involved in disputes with various parties involved in the development and sales of its properties, including contractors, suppliers, construction workers, original residents, local partners and customers. These disputes may lead to protests and legal proceedings and may result in damage to the Group's reputation, additional costs and a diversion of resources and management's attention.

In addition, the Group may have compliance issues and disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays to its property development.

Any material legal and other disputes if not resolved expeditiously or at all by the Group may have an adverse impact on the Group's reputation, business, operation results or financial position.

The Group's business and financial performance may be adversely affected by delays in the Group's project development, delivery, sales and pre-sales schedules

Property development projects require substantial capital expenditures prior to and during the construction period, for the purpose of land acquisition, project planning, design of property development, construction of property and promotion of the development. A project may be under construction for more than a year before it generates positive cash flow through pre-sales or sales and a further year or more before the Group recognises revenues from the project upon delivery of the completed properties. As a result, the Group's cash flows and results of operations may be significantly impacted by its project development and delivery schedules. Project development and delivery schedules can be affected by a number of factors including the performance and efficiency of the Group's independent contractors and the Group's ability to finance construction with borrowings and pre-sales and sales proceeds. Other factors that may adversely affect the Group's project development schedules include:

➢ delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;

➢ natural catastrophes and adverse weather conditions;

➢ changes in market conditions;

➢ changes in relevant government policies and regulations;

➢ relocation of existing residents and/or demolition of existing constructions;

➢ shortages of materials, equipment, contractors and skilled labour;

➢ labour disputes;

➢ construction accidents; or

➢ fluctuations in the price of construction materials, equipment and labour.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget as a result of the above factors may affect the Group's results of operations and financial position and may also adversely affect the Group's reputation in the industry. In addition, such delays or failure to complete the project may lead to liquidated damages imposed on the Group. If a pre-sold property development is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery. There is no assurance that the Group can achieve its plan and return on investment as expected, and will not experience any significant delays in completion or delivery in the future or that it will not be subject to any liabilities for any such delays.

Saved as the unsold units of Fond England Tower 10 which will be ready for delivery in February 2013, all other unsold units within other Towers of Fond England were ready for delivery as at the Latest Practicable Date. For Li Yuan Project, according to the construction plan, the scheduled commencement of delivery date will be in the 4th quarter of 2014.

During the Track Record Period, the Group has experienced delay in its sales and pre-sales schedule. Any delay in sales and pre-sales schedule in the future may significantly impact on the Group's cash flows and results of operations. Factors that may adversely affect the Group's sales and pre-sales schedules which, in turn, may negatively affect the Group's cash flows and results of operation, include:

➢ delay in obtaining necessary pre-sales permit from governmental authorities;

➢ unexpected delay in purchasers taking possession of properties as this would impact on the timing of revenue recognition;

➢ changes in market conditions; or

➢ construction delays.

As property development projects require substantial capital expenditure, the delay in sales and pre-sales may tighten the Group's available cash resources in settling its financial obligations and construction cost payment when it falls due. There is no assurance that the Group can achieve its sales and pre-sales schedule as expected and will not experience any significant delays in the future.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which the Group calculates its LAT obligation

Under the applicable LAT regulations and notices of the PRC, the properties developed for sale by the Group are subject to LAT at progressive rates on the appreciation of land value. Provincial tax authorities are entitled to formulate their own implementation rules for the calculation and settlement of LAT according to local conditions. Real estate developers are required to estimate and settle the final LAT payable in respect of their development projects if they meet certain criteria laid down under the applicable LAT notices or prescribed by the provincial tax authorities such as, where 85.0% of a development project have been pre-sold or sold or where the real estate developer has obtained and held a Pre-Sales Permit for three years but has not completed the sales of the development project. Accordingly, significant judgment is required by a real estate developer in determining the amount of land appreciation and its related LAT payable. The Group may not be able to foresee when the local tax authorities will require it to settle the full amount of LAT applicable to the Group. For the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012, the Group has provided for LAT amounting to approximately HK$5.0 million, HK$12.0 million and HK$12.2 million respectively. The increase in corporate and LAT paid for the six months ended 30 June 2012, was primarily due to the LAT payment based on the assessment of the local tax bureau. Pursuant to the written notice for the LAT assessment issued from the local tax bureau dated 20 June 2012, WTS Real Estate is subject to LAT and the LAT is calculated at 5.0% to 7.0% of its sales of properties in accordance with the authorised taxation method. If the amount of LAT ultimately assessed by the PRC tax authorities is in excess of LAT that the Group has estimated or prepaid or far exceeds the amount that the Group has provided for, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group may be required to pay PRC income tax on the imputed capital gains, if any, made on the transfer of equity interests in the Group's offshore members that hold equity interests in PRC-resident enterprises

On 10 December 2009, the SAT issued the Notice on Tightening the Management of Enterprise Income Tax on Gains derived from Share Transfer of Non-PRC Resident Enterprises (Guo Shui Han [2009] No. 698)* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知(國稅函[2009]698號)) (the "698 Notice"), which has retrospective effect as from 1 January 2008.

Pursuant to the 698 Notice, except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing of the equity of an overseas holding company ("Indirect Transfer") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5 %, or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. If the PRC tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterise the Indirect Transfer. As a result, foreign investors (excluding individuals) may be required to report Indirect Transfers of the PRC subsidiaries stock when they sell the Shares, and gains derived from such Indirect Transfer by the foreign investor (excluding individuals) may be subject to the PRC enterprise income tax.

Having taken into account the fact that there was no change in the Controlling Shareholders (including Dr. Lee), the Group was advised by the relevant officer of the local tax bureau of Nanning that the 698 Notice has no application to the acquisition of the entire issued shares of Global Touch by the Company, which forms part of the Reorganisation. No provision was made by the Group on PRC enterprise income tax that may be charged on the imputed capital gains, if any, that may arise, whether in the past or otherwise as part of the Reorganisation, on the transfer of equity interest in any of the Group's offshore subsidiaries that hold equity interests in PRC resident enterprises. That said, it is unclear as to how the 698 Notice will ultimately be interpreted, implemented or enforced by the relevant PRC tax authorities. None of the Directors can assure that no such tax will be charged against the Group and that no further tightening measures or changes will be implemented by the PRC Government. To the extent that such taxation liabilities shall arise or incur, whether under the current PRC laws, rules or regulations or, as a result of any change or retrospective change in the PRC laws, rules and regulations or, the interpretation or practice thereof by the relevant PRC tax authorities, the results of operation and cash flow of the Group will be adversely affected.

The Group's success is dependent on key personnel

The success of the Group has been largely due to the collective leadership, dedication, contributions and experience of the executive Directors. The Group's continued success is dependent, to a large extent, on its ability to retain their services. The loss of services of any of the executive Directors without an effective succession plan or a suitable or timely replacement or the inability to attract, recruit and retain key management or personnel of high-calibre for any reason may adversely affect the Group's operation and, hence, its revenue and profits. Please refer to the section headed "Directors, senior management, board committees and staff" of this prospectus for details of the executive Directors.

The Group's remuneration policy is not performance-linked and may have the potential of affecting negatively the operating results of the Group

One of the principal objectives of the remuneration policy of the Group is to retain, motivate and attract personnel of high caliber to serve the Group and ensure that they are rewarded competitively against companies of a broadly similar size. For the two years ended 31 December 2011 and the six months ended 30 June 2012, the emoluments of the executive Directors respectively represented approximately 16.0%, 8.2% and 10.3% of the gross profits of the Group. Given that the Group's current remuneration structure is predominantly on a fixed-pay basis rather than performance-related and there is no assurance that the Group will continue to experience revenue growth in the future, the remuneration structure may have the potential of affecting negatively the profitability and, hence, the operating results, of the Group upon occurrence of any causes or force majeure events which are not reasonably within the control of the Group.

The Group may not be able to implement all or any of its business plans successfully

In the section headed "Statement of business objectives and use of proceeds" in this prospectus, the Group has set out its future plans in order to achieve its business objectives. The future plans are developed based on a number of assumptions, forecasts, and commitments of the Group. Due to circumstances beyond the Group's control, including many of the other risks as set out in this section "Risk factors" of the prospectus, or for reasons that may render the assumptions and forecasts inoperable, there is no assurance that all or any of the future plans may be successfully implemented.

The Group may suffer losses and be subject to liabilities that are not sufficiently covered, or covered at all, by insurance

The Group has taken out property all-risk insurance on the properties owned by the Group, including the properties under construction and investment properties. In addition, the Group carries social insurance for its employees and maintains personal accident insurance. Please see the sub-section headed "Insurance" in the section headed "Business" of this prospectus. However, there is no assurance that it will not be sued or held liable for damages due to liability from any related tortuous acts. Moreover, the Group believes that there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If the Group suffers from any such losses, damages or liabilities in the course of its operations and property development, the Group may not have sufficient funds to cover any related losses, damages or liabilities or to repair, replace or reconstruct any property developments that have been damaged or destroyed. Any payment that the Group is required to make to cover related losses, damages or liabilities could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The PRC's environmental laws and regulations may cause the Group to incur additional cost in its development projects; and any potential liabilities arising from environmental damages relating to the Group's development projects may result in significant expenditures to the Group

The Group is subject to a variety of PRC laws and regulations concerning the protection of the environment. Compliance with environmental laws and conditions may result in delays in development of the Group's projects, may cause the Group to incur substantial compliance and other costs and could prohibit or severely restrict project development activities in environmentally-sensitive regions or areas. As required by PRC laws and regulations, the Group must undertake an environmental impact assessment with respect to each project that it develops and submit an environmental impact assessment document to the relevant governmental authorities for approval before commencing construction. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the customers. There may also be potential material environmental liabilities of which the Group is not aware and which may have a material adverse effect on the Group's business operation, financial conditions or results of operations. Furthermore, any change to the environmental laws and regulations of the PRC or operation or implementation thereof could adversely affect the Group's results of operations and financial position through limitation of the Group's business activities or imposition of expenses to be disbursed regarding legal compliance or penalty fees to the Group by reason of infringement of any of the relevant laws and regulations.

The Group may be liable to its customers for damages if it does not deliver individual property ownership certificates in a timely manner

Under current laws and regulations, purchasers of pre-sold properties should proceed with the modification of land use right and the registration of property ownership within 90 days after delivery of the property. Property developers are typically required to assist purchasers to complete the aforesaid procedure and provide the necessary proving documents. Property developers should submit all materials in relation to registration of property ownership to the local property administration authority within 60 days after delivery of the property. Any delay in the production of evidencing documents necessary for registration of property ownership may subject the Group to disputes, claims, complaints and/or legal proceedings from the purchasers of the properties concerned. During the Track Record Period, there were a number of owners of certain units of Yu Feng Plaza instituted legal actions or filed arbitration actions claiming liquidated damages and related legal costs and expenses in relation to the Group's delay in, or causing delay in, completing the property ownership registration and obtaining the property ownership certificates. As to 26 arbitration cases, which were still pending adjudication before July 2012, filed by owners of certain units of Yu Feng Plaza against the Group for its delay in production of evidencing documents necessary for registration of property ownership, according to the arbitration awards, the arbitration tribunal rejected claims filed by 17 owners respectively and ruled in favor of 9 owners respectively. The aggregate amount for liquidated damages and related legal costs and expenses ruled to pay by the Group is RMB171,246. The Group cannot assure that similar incidents will not occur due to any unanticipated delays in obtaining such ownership certificates. In the case that the late delivery of any individual property ownership certificate is due to delays that are deemed to be caused by the Group, the purchaser would be able to terminate the property sale and purchase contract, reclaim the payment and claim damages, any of which could materially and adversely affect the Group's business, results of operations and financial position.

RISKS RELATING TO THE INDUSTRY

The Group is subject to legal and business risks if it fails to obtain or renew qualification certificates or property management permits

A property developer must obtain an interim or a formal qualification certificate in order to carry out property development business in the PRC. According to the Provisions on Administration of Qualification of Real Estate Development Enterprises* (房地產開發企業資質管理規定) promulgated by the Ministry of Construction (the "MOC") on 29 March 2000, newly established developers must first apply for an interim qualification certificate* (暫定資質證書) before they obtain a formal qualification certificate* (房地產開發資質等級證書). The validity period of an interim qualification certificate is one year and it can be renewed for a maximum of two years. The formal qualification certificate is subject to inspection on an annual basis. The Group is responsible for the annual submission of its inspection application.

In accordance with the Provisions on Administration of Qualification of Real Estate Development Enterprises, the local government authorities perform annual inspections of qualified property developers. Property developers who fail to meet the qualification requirements or violate the relevant rules may have their qualification classification certificates degraded or revoked. Besides, a property developer shall only undertake property development projects in compliance with the approved qualification registration. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB50,000 (equivalent to HK$61,700) to RMB100,000 (equivalent to HK$123,400) and revocation of the property developer's business license if such failure to obtain the certificate is not rectified in a timely manner.

As of the Latest Practicable Date, the project companies within the Group, including Yu Feng Real Estate and WTS Real Estate, have obtained valid formal qualification certificates. Bai Yi Commercial, which has obtained valid interim qualification certificate and has just commenced development of its first property development project, will also take steps to apply for formal qualification certificate after satisfaction of the requirement of completion of quality construction work and attainment of 100.0% pass rate. If interim qualification certificate currently held by the Group was revoked and/or if the Group failed to obtain any formal qualification certificate(s) for any reason(s) in order to carry out its property development business in the PRC, it could have a material adverse effect on the Group's business, results of operation and financial position.

Under the Measures for the Administration of Qualifications of Property Services Enterprises* (物業服務企業資質管理辦法) promulgated by the MOC on 17 March 2004 and amended on 26 November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise that possesses such a qualification assessment will be issued a property management enterprise qualification certificate* (物業管理企業資質證書) (which is renamed as property service enterprise qualification certificate* (物業服務企業資質證書) later) to carry out the relevant business. No enterprise may engage in property service without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate. The Group's subsidiary, Golden Yu Feng, held a valid Class 3 qualification before 6 July 2011.

The property service enterprises with the Class 3 qualification may carry out property management for each residential property up to 200,000 sq.m. and each non-residential property up to 50,000 sq.m. During the Track Record Period, one of the non-residential properties managed by Golden Yu Feng with 66,000 sq.m. is over the restricted limit under a Class 3 qualification then held by the Group. On 25 April 2011, Golden Yu Feng has submitted the application to NHSREMB for upgrading from Class 3 to Class 2 classification. On 24 June 2011, NHSREMB has processed the application and forwarded it to the Housing and Urban-Rural Construction Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區住房和城鄉建設廳) for final approval. On 6 July 2011, Golden Yu Feng obtained a valid Class 2 qualification that will be expired in July 2014. Upon it having obtained a valid Class 2 qualification, Golden Yu Feng is allowed to carry out property management for each residential property of up to 300,000 sq.m. and each non-residential property of up to 80,000 sq.m.

As advised by the PRC Legal Advisor, under the PRC laws, where a property management enterprise undertakes the business of property management beyond its qualification class, the administrative department of real estate of the local people's government at the county level or above shall give the enterprise a warning, order it to make corrections within a time limit and impose a fine ranging from RMB10,000 (equivalent to HK$12,340) to RMB30,000 (equivalent to HK$37,020).

If the Group is unable to maintain Class 2 qualification or obtain required permits for any future projects that exceed the scope of its current qualification, the Group may be prevented from providing property management services to its customers, which may have a material adverse effect on the Group's business, results of operations and financial position.

The Group has experienced decline in liquidity position and will have significant future projected capital expenditure in the foreseeable years

The liquidity position (i.e. net cash flows from operating activities, net current assets and cash and cash equivalent position) of the Group had declined during the Track Record Period. As confirmed by the Directors, such decrease was mainly due to the payment of construction costs, taxes and repayment of borrowings during the period.

While our capital expenditure has been committed by the Group, of which as at the Latest Practicable Date, the Group's additional capital expenditure budget for 2012 and 2013 to complete Phases 2 and 3 of Fond England is expected to be approximately HK$56.5 million and HK$15.1 million respectively. While the additional capital expenditure budget to complete the Li Yuan Project is expected to be approximately HK$204.8 million over the next three years, broken down into approximately HK$8.2 million, HK$96.9 million and HK$99.7 million for the years ending 31 December 2012, 2013 and 2014 respectively. There is no assurance that the Group will be able to improve its liquidity position through debt financing, sales/pre-sales of properties and/or renting out of investment properties to finance the projected capital commitment of the Group. In case the Group's liquidity position continues to decline and the Group is unable to generate sufficient cash flows to meet the Group's present and future capital expenditure, the overall business, financial position (including liquidity position) and results of operations might be adversely affected.

The Group's operations are subject to extensive government regulations

As with other PRC property developers, the Group must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC Government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and restriction or other regulation of foreign exchange, taxation, property financing and foreign investment. Other political, economic and social factors may also lead to further adjustments of such policies. These refining and adjustment processes may not have a positive effect on the Group's operations and its future business development. The Group cannot assure that the PRC Government will not adopt additional and more stringent industry policies and regulations in the future. If the Group fails to adapt its operations to new policies and regulations that may come into effect from time to time with respect to the property industry, or such policy changes disrupt the Group's business prospects or cause it to incur additional costs, the Group's business, results of operations and financial position may be materially and adversely affected.

The total GFA of property projects of the Group may exceed the original authorised GFA and any excess GFA is subject to government approval and payment of additional land premium or fines and may not be permitted for sales and delivery

The permitted total GFA for a property project is set forth in various government approvals issued at various stages. In many cases, the underlying land grant contract, the relevant planning approvals and construction permits will also specify the permitted total GFA. If the Group subsequently alters the design of any of its property projects or make any transformation of any space available within the property project into usable area for commercial or other purposes without prior approval from the relevant PRC governmental authorities (as occurred in the Group's investment property Yu Feng Plaza in which certain subsurface space have been used by the Group as disclosed in the paragraph headed "Legal and regulatory matters" in the "Business" section of this prospectus), the actual GFA may exceed the total permitted GFA. In such event, the Group may not be able to obtain the Completed Construction Works Certified Report and consequently the real estate title certificate(s) for the property project or a real estate title certificate covering the excess GFA. As a result, the Group may not be able to deliver its completed property projects or the units forming part of its completed property projects to purchasers and to recognise its pre-sales proceeds as its turnover. The Group may also be required to pay additional land premium.

The Group may also from time to time undertake refurbishment and/or renovation work for any of its existing property projects. In the case where the total constructed GFA for any of the Group's property projects after refurbishment and/or renovation exceeds the permitted total GFA as originally approved without obtaining the relevant Construction Works Planning Permit (as with the case of the Group's refurbishment project Yu Feng High Street* (裕豐高街) as disclosed in the paragraph headed "Legal and regulatory matters" in the "Business" section of this prospectus), the Group may be required by the relevant PRC authorities to make corrective actions which may include the obtaining of Construction Works Planning Permit and the Group may face penalties such as fines imposed by the relevant PRC authorities.

Upon the occurrence of any of such events, the Group cannot assure that it would have sufficient funding or other means to take corrective action with respect to any such non-compliant GFA before a Completed Construction Works Certified Report or any real estate title certificate can be issued in respect of the property project. Any of these circumstances could adversely affect the Group's reputation, business, results of operations and financial condition.

Resettlement negotiations and evaluation of expropriated properties may add costs or cause delays to property projects

Any of the land parcels the Group may acquire in the future for development may have existing buildings or other structures to be occupied by Independent Third Parties. Prior to 21 January 2011, in accordance with the Regulation on the Dismantlement of Urban Houses* (城市房屋拆遷管理條例) promulgated and implemented on 13 June 2001 and on 1 November 2001 respectively, which has since been repealed, a property developer in the PRC is required to enter into a written agreement with the existing owners or residents subject to demolition for development and to provide compensation for their relocation and resettlement. The Regulation on the Dismantlement of Urban Houses was repealed and replaced by the Regulation on the Expropriation and Compensation of Buildings on State-owned Land* (國有土地上房屋徵收與補償條例) (the "Regulation") which came into effect on 21 January 2011. The Regulation, as promulgated by the State Council, provides that the expropriated owners of buildings that are located on state-owned land, are entitled to indemnity. Compensation agreements shall be entered into between expropriated owners and the house-expropriation departments to be appointed by the city or county government, as to the compensation methods, compensation amount, payment terms and other relevant issues. In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnity according to the application of the house-expropriation departments and published government notices within the area of the expropriation. On 3 June 2011, the Measures of Expropriation and Evaluation of Properties on State-owned Land* (國有土地上房屋徵收評估辦法) was promulgated and implemented, which stipulates that the market value of the property used for exchanging the ownership of expropriated property shall be confirmed by evaluation. The expropriation parties shall negotiate to confirm the value of interior decoration of expropriated property, moving fees of machinery equipments and materials and the compensation for the losses of stopping production or business; if the parties fail to reach an agreement, the expropriation parties can entrust a real estate pricing institution to evaluate and confirm the price. On that basis, if the Group has to deal with expropriated properties throughout the course of acquisition of a land, the time required and the outcome, including but not limited to the amount of compensation payable by the Group to the owners of the expropriated properties, are subject to the negotiation between the parties and evaluation of the expropriated properties. If agreement of negotiation cannot be reached by the Group and any owners of the expropriated properties according to the Group's scheduled timetable and/or the value of the expropriated properties is substantially higher than the value estimated by the Group, the costs of acquisition of the land may increase substantially and/or it may delay the development of the projects on the land, in either case the Group's business, results of operations and financial position may be materially and adversely affected.

In addition, if the PRC governmental authorities change their method of calculation of compensation, the Group's land acquisition costs may be subject to substantial increase which could adversely affect its financial condition and results of operations.

The PRC Government may adopt further measures to curtail the overheating of the property market

As a property developer, the Group is subject to extensive government regulations in virtually every aspect of its operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC Government. The PRC Government has introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. For details of these policies and measures, please refer to Appendix IV of this prospectus.

On 26 January 2011, the General Office of the State Council further issued the Notice on Further Promoting the Adjustment and Control of Real Estate Market* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), details of which can be referred to Appendix IV of this prospectus.

Nanning has already announced the price control target of newly-developed residential properties in 2011. According to the requirement under the Notice of Strengthening Control on Real Estate Market issued by the office of the People's Government of Nanning City (Nanfuban [2011]No.61)* (南寧市人民政府辦公廳關於進一步做好房地產市場調控工作的通知) effected on 24 March 2011 ("Notice No. 61"), the increment in the price of newly-developed residential property shall be compatible with the growth of the per capita disposable income, and shall not be higher than the growth of regional GDP of Nanning City. Notice No. 61, however, does not specify any sanctions which may be imposed if the increase in property price is higher than the growth in GDP or per capita disposable income. Moreover, the Pricing Law of the PRC* (中華人民共和國價格法) stipulates that the prices of commodity properties shall be market-oriented and determined by the operator independently. According to Nanning Municipal Government Work Report 2011* (2011年南寧市政府工作報告), the growth of socio-economic development of Nanning City is targeted to achieve at the rate of increase in GDP at 11.0% and the rate of increase in both urban and rural per capita disposable income at 11.0%.

Notice No. 61 also requires that real estate development enterprises shall truthfully declare the selling price of each residential property on applying for the Pre-Sales Permit from the relevant local PRC authority and the pre-sale shall be carried out in accordance with the selling price declared and have the price list displayed at the sales venue to all purchasers. In practice, the real estate development enterprises of Nanning City shall (i) declare the unit selling price of each residential property to be put on the market for sale to the local authority in Nanning City when applying for a Pre-Sales Permit (which application will only be approved if the prescribed application procedures are complied with) and (ii) if the Pre-Sales Permit is obtained and when pre-sales commence, display the selling prices at the sales venue and conduct such sales at such rate which is not above the selling prices as declared to the local authority in Nanning City. As confirmed by the Directors, the declared unit selling price of each of the Group's residential properties as submitted has never been rejected by the local authority in Nanning City when applying for Pre-Sales Permits.

As confirmed by the Directors, Notice No. 61 currently applies to the pre-sale of five blocks of Fond England and the Group has followed the prescribed procedures, obtained the Pre-Sales Permits and complied with the abovementioned applicable requirements in respect of the pre-sales of these properties, the PRC Legal Advisor therefore is of the opinion that the Group is in compliance with such price control target.

On 8 March 2011, the General Office of CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management* (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知), details of which can be referred to Appendix IV of this prospectus.

The Directors believe that the introduction of the above austerity measures may affect the availability of credit facilities to the Group's potential customers. The requirements as to the minimum down payment make the Group's properties less affordable to some potential customers and would reduce the demand for the Group's developed properties. These measures have also affected the general investment climate in the property market and the availability of funding for property developers for land acquisition and development, and thereby adversely impacting the Group's properties sold and the turnover from sales of properties. In any of these cases, the Group's business, financial conditions and results of operations may be adversely and materially affected.

For further details, please refer to Appendix IV of this prospectus.

The PRC Government's restrictive measures may limit the Group's access to capital, reduce market demand and increase the Group's operating costs in adapting to these measures. The PRC Government may adopt additional and more stringent measures, which may further curtail the development of the industry in general and adversely affect our business operations in particular.

The adverse impact of the introduction of austerity measures was reflected in the Group's GFA sold and revenues from sales of properties. In the first half of 2011, the Group encountered some difficulties in the pre-sales and sales of its property developments, in particular, the pre-sales of the Phases 2 and 3 of Fond England. The volume of the pre-sales of Phases 2 and 3 of Fond England dropped significantly after the introduction of these austerity measures. In response to the drop, the Group considered it expedient to defer its pre-sale schedule of Phases 2 and 3 of Fond England to the third quarter of 2011. The Directors believe that since July 2011, the property market in Nanning had started to regain its momentum possibly due to the potential customers' absorption of introduction of austerity measures by the PRC Government in the first half of 2011 and local price control policy implemented by Nanning municipal government and various promotion strategies implemented by property developers to boost up the moving of inventories and the Group resumed the pre-sales of Phases 2 and 3 of Fond England. The average selling prices for the pre-sales in 2012 were higher than the average selling prices in the first half of 2011. In spite of the sign of recovery, there is no assurance that these or any more draconian austerity measures that may be imposed by the PRC Government will not heap further pressure on the real estate market in the PRC or the Group could devise business strategies to effectively counter the negative impact of these measures and the Group's business, financial conditions, results of operations and prospects may be adversely affected as a result.

The PRC Government may reclaim the Group's land and impose other penalties on the Group if the Group fails to comply with the terms of the relevant land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land granted by the PRC Government, according to the terms of the land grant contract, the relevant government authorities may issue a warning to or impose a penalty on the developer or forfeit the land. On 3 January 2008, the State Council issued a Notice on Promoting Economisation of Land Use* (國務院開於促進節約集約用地的通知) which stipulates that land use rights be strictly forfeited for land parcels left idle for two years or more and that an idle land fee be imposed at 20.0% of the land allocation or grant price for land parcels left idle for more than one year but less than two years.

In addition, notwithstanding that the commencement of the land development may be in compliance with the timeframe set out in the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project originally approved for development or the total capital invested is less than one-fourth of the total investment of the project, and the period of suspension of the development of the land is up to one year or above without approval, the land may be treated as idle land. For further details, please refer to Appendix IV of this prospectus.

For the development of its property investment business, the Group will inevitably continue to use its best endeavours to identify good quality residential or commercial land with a view to increasing its land bank for future development purposes. The timing for development will depend on a number of factors including but not limited to the market conditions, the extent of the overall impact of the austerity policies of and measures imposed by the PRC Government on the real estate industry in the PRC, the capital requirement and the Group's financial capability. If the circumstances were such as to prevent the Group from developing any land granted or acquired and render it to become an idle land and be forfeited under the applicable PRC laws and regulations, the Group will not only lose the opportunity to develop the property projects on such forfeited land, but may also lose all of its investments already made on the land, including the land assignment price already paid and the acquisition costs or development costs incurred.

The Group may be unable to remit the proceeds from the Placing into China for its property related business

The Company, a non-PRC established company, conducts certain property development operations in China through its subsidiaries established in China. Part of the Group's net proceeds from the Placing will be applied for financing, inter-alia, acquisition of property related industry business and may be subjected to the following PRC rules and regulations, details of which can be referred to Appendix IV of this prospectus:

- Opinions on Regulating Entry and Administration of Foreign Investment in Real Estate Market* (關於規範房地產市場外資准入和管理的意見) (the "Opinions") issued by the MOC, together with five other ministries and commissions on 11 July 2006;

- Circular on Regulating the Relevant Issues on the Foreign Exchange Management for the Market of Real Estate* (關於規範房地產市場外匯管理有關問題的通知) promulgated and implemented by SAFE and MOC on 1 September 2006;

- Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment* (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) promulgated and implemented by the MOFCOM and the SAFE on 23 May 2007; and

- Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the MOFCOM* (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) promulgated by the General Department of the SAFE on 10 July 2007.

If the Company fails to comply with the necessary filing, registration and/or approval requirements from the PRC governmental authorities (including registration with SAFE or its counterparts or approval from MOFCOM or its local counterparts) for the remittance of the net proceeds from the Placing to the PRC in a timely manner or at all, the Group's liquidity and ability to fund and expand its business in the PRC may be negatively affected.

Further, there is no assurance that the PRC Government will not introduce new policies that may further restrict the Group's ability to inject funds raised in the future, including funds raised in this Placing, into China for its operations, in which case the Group's business, operations, financial conditions and results of operation may be adversely and materially affected.

RISKS RELATING TO THE PRC

The Group's business may be affected by the economic, political and social conditions as well as government policies in China

The political, economic and social conditions in China differ from those in other developed countries in many aspects, including but not limited to structure, government involvement, level of development, economic growth rate, control of foreign exchange, capital reinvestment, allocation of resources and trade balance position. The PRC Government continues to play a significant role in regulating industrial development, the allocation of natural resources and production, pricing and management of currency. There is no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be favourable to its business.

In addition, demand for the Group's properties may be affected by a variety of factors in China, some of which may be beyond its control, including:

➢ political stability or changes in social conditions of the PRC;

➢ changes in laws and regulations or the interpretation thereof;

➢ measures which may be introduced by the State to control inflation or deflation; and

➢ the imposition of additional restrictions on currency conversion and remittances abroad.

Any significant changes in relation to any of these factors may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's business may be affected by the changes in the PRC foreign exchange regulations

The PRC Government imposes controls on the conversion of RMB into foreign currencies and, in certain cases, the remittance of foreign exchange out of China. Substantially all of the Group's revenue is denominated in RMB. Under the Group's corporate structure, the Company's revenue is primarily derived from dividend payments from its PRC subsidiaries, which must convert their RMB earnings into foreign currency before they may pay cash dividends to the Company or repay foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE or its local counterparts by complying with certain procedural requirements. However, approval from SAFE or its local counterparts is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investments in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect the Company's ability to finance its PRC subsidiaries.

The Group's business may be affected by the uncertainty in the interpretation of PRC laws and regulations

The Group's business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases which have limited precedential value, interpretation and enforcement of PRC laws and regulations involve a degree of uncertainty. In addition, any litigation in China may be protracted and result in substantial costs and diversion of the Group's resources and management attention. All these uncertainties may cause difficulties in the enforcement of the Group's entitlements under its permits, and other statutory and contractual rights and interests.

The national and regional economies may be adversely affected by natural disasters, epidemics, acts of war and political unrest, which are beyond the Group's control and which may cause damage, loss or disruption to its business

As for any business, natural disasters, epidemics, acts of war and political unrest, which are beyond the Group's control, may materially and adversely affect the economy of the PRC and the city in which it operates.

Some areas in the PRC are under the threat of earthquakes, ice storms, floods, sandstorms, droughts or other natural disasters. These disasters will cause significant casualties and loss of properties and any of the Group's operations in the affected areas could be adversely affected. If similar or other inclement weather or climatic conditions or natural disasters occur, the Group's operations may be hampered, which could result in an adverse impact on its business, results of operations and financial condition.

In addition, certain areas of China are susceptible to epidemics such as Severe Acute Respiratory Syndrome ("SARS"), H5N1 flu or H1N1 flu. A recurrence of SARS or an outbreak of H5N1 flu, H1N1 flu or any other epidemics in China in general or in the Group's target city may result in material disruptions to its property developments, which in turn may adversely affect its business, results of operations and financial condition.

Political unrest, acts of war and terrorism may also cause damage or disruption to the Group's business and markets, injure the Group's employees, cause loss of lives or damage the Group's properties, any of which could materially impact its sales, costs, overall financial condition and results of operations. The potential for wars or terrorist attacks may also cause uncertainty and cause its business to suffer in ways that the Group cannot predict. The Group's business, results of operations and financial condition may as a result be materially and adversely affected.

The Group's dividend payable to its foreign investors and the gains on the sales of the Group's shares may become subject to withholding tax under the PRC tax laws

Under the PRC Enterprise Income Tax Law and implementation regulations promulgated by the State Council, the PRC income tax at the rate of 10.0% is applicable to PRC-source dividends payable to investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. Similarly, any gain realised on the transfer of shares by such investors is also subject to 10.0% of the PRC income tax if such gain is regarded as income derived from sources within the PRC. If the Company is considered as a PRC "resident enterprise", it is unclear whether the dividends the Company pays with respect to its Shares, or the gain the investors may realise from the transfer of the Shares, would be treated as income derived from sources within the PRC and be subject to the PRC tax. If the Company is required under the PRC Enterprise Income Tax Law to withhold the PRC income tax on its dividends payable to its foreign Shareholders, or if the investors are required to pay PRC income tax on the transfer of Shares held by them, the value of their investment in the Shares may be materially and adversely affected.

RISKS RELATING TO THE PLACING

The Underwriting Agreement may be terminated by the Joint Lead Managers

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by the Joint Lead Managers (for themselves and on behalf of the Underwriters) by giving notice in writing to the Company upon the occurrence of any of the events stated in the paragraph headed "Grounds for termination" under the sub-section headed "Underwriting arrangements and expenses" in the section headed "Underwriting" of this prospectus at any time prior to 8.00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate their obligations under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will lapse and no allocation of the Placing Shares to potential investors will be effected.

There may be limited liquidity in the Shares and volatility in the Share price on GEM

The Shares have not been traded in any open market before completion of the Placing. The Placing Price may differ from the market price of the Shares and may not serve as an indicator of the price of the Shares traded on GEM in the future. There is no assurance that an active trading market of the Shares will develop or if it does develop, that it may be sustained upon the Listing.

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in the Group's revenues, earnings or cash flows, and/or announcements of new investments, strategic alliances may cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There is no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange related to the property leasing and development industry have experienced substantial price volatility in the past, and it is possible that the Shares will be subject to changes in market price that may not be directly related to the Group's financial or business performance.

Any future issuance of new equity or equity-linked securities of the Company may dilute the Shareholders' equity interests

The Group may require additional funds in the future to finance its expansion of business and operations. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the interests of the existing Shareholders may be diluted as a result of such equity fund raising.

Any options granted under the Share Option Scheme may affect the Group's results of operations and dilute the Shareholders' equity interests

The Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date.

Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of the Shares and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Under the HKFRSs, the costs of the options to be granted to employees under the Share Option Scheme will be charged to the Group's consolidated statement of comprehensive income as share-based compensation over the vesting period by reference to the fair value at the date on which the options under the Share Option Scheme are granted. As a result, the Group's results of operations may be adversely affected.

There is no guarantee that dividends will be declared in the future

During the Track Record Period, the Group declared dividends amounting to approximately HK$31.5 million. There is no assurance that the Group will declare dividends in amount similar to or exceeding historical dividends declared or at all. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, the Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles, applicable laws and other relevant factors.

Protection to minority Shareholders under Cayman Islands law differs from that in Hong Kong

As a company incorporated in the Cayman Islands, the Company's corporate affairs are governed by its memorandum of association and the Articles, the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in certain respects from those established under statutes and under judicial precedents in Hong Kong or other jurisdictions. Such difference may mean that the remedies available to the Company's minority shareholders may be different from those they would otherwise have or are familiar with under the laws of Hong Kong or other jurisdictions. The constitution of the Company and the Cayman Islands company law are summarised in Appendix V to this prospectus. As a result, investors may not be able to seek remedies as a minority shareholder under the laws of Cayman Islands which are otherwise available under the laws of Hong Kong.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

Information and statistics in this prospectus are extracted from various sources which have not been independently verified and may be inaccurate

This prospectus contains information and statistics, including but without limitation to information and statistics relating to the property leasing and development industry and market. Such information and statistics have been derived from various public and private publications. The Directors have taken reasonable care in extracting and reproducing such information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy. Such information and statistics may not be consistent with other information and statistics compiled within or outside the PRC. Prospective investors should not place undue reliance on any of the information and statistics derived from the various publications contained in this prospectus.

Forward-looking statements contained in this prospectus may be inaccurate

This prospectus contains forward-looking statements in respect of the Group's business objectives, future business plans and the Directors' intentions and expectations of the market trend. Such forward-looking statements involve assumptions regarding the environment in which the Group will operate in the future. There are also uncertainties, risks and other unforeseen factors which may cause the actual results, performance or achievements of the Group to be materially different from the anticipated results, performance or achievements of the Group expressed or implied by these forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of the Group and the environment in which the Group will operate in the future. The actual results, performance or achievements of the Group may differ materially from those discussed in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- ➢ the Group's business strategies and plans of operations;
- ➢ the Group's capital expenditure plans;
- ➢ the amount and nature of, and potential for, future development of the Group's business;
- ➢ the Group's operations and business prospects;
- ➢ the Group's dividend policy;
- ➢ projects under planning;
- ➢ the regulatory environment of the Group's industry in general;
- ➢ future development in the Group's industry; and
- ➢ the other factors referenced in this prospectus, including, without limitation, in the sections headed "Risk factors", "Industry overview", "Business", and "Financial information".

The words "anticipate", "believe", "could", "expect", "intend", "any", "plan", "project". "seek", "will", "would" and similar expressions, as they relate to the Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting the Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumption, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, the Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong) and the GEM 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 prospectus 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 prospectus misleading.

Printed copies of this prospectus are available, for information purposes only, at the office of the following parties involved in the Placing during normal office hours from 9:00 a.m. to 5:00 p.m. from 30 November 2012 up to and including 7 December 2012:

Cinda International Securities Limited
45/F COSCO Tower
183 Queen's Road Central
Hong Kong

Orient Securities Limited
Rooms 2801-2804 28/F
Dah Sing Financial Centre
108 Gloucester Road
Wan Chai Hong Kong

Ping An of China Securities (Hong Kong) Company Limited
28/F 169 Electric Road
North Point
Hong Kong

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing, which is sponsored by Haitong International Capital and managed by the Joint Lead Managers and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE PLACING PRICE

The Placing Shares are being offered at the Placing Price which is expected to be fixed by agreement among the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about 7 December 2012. If, for whatever reason, the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are not able to agree on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will not proceed.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

No invitation may be made directly or indirectly by or on behalf of the Company to the public in the Cayman Islands to subscribe for or acquire any of the Placing Shares. Each person acquiring the Placing Shares will be required to confirm and is deemed by his acquisition of the Placing Shares to have confirmed that he is aware of the restrictions on offers the Placing Shares described in this prospectus and that he is not acquiring, and has not been offered, any Placing Shares in circumstances that contravene any such restrictions.

The Placing is made solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors or affiliates of any of them or any other person and party involved in the Placing. The contents as shown in the website of the Company of *www.southwesteco.com* do not form part of this prospectus.

APPLICATION FOR LISTING ON GEM

The Company is able to satisfy the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under the GEM Listing Rules.

The Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing and the Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme and as otherwise described in this prospectus on GEM.

No part of the Company's share or loan capital is listed or dealt in on any other stock exchange. As at the Latest Practicable Date, the Company was not seeking or proposing to seek listing of, or permission to deal in, any part of its share or loan capital on any other stock exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25.0% of the total issued share capital of the Company must at all times be held by the public.

A total of 75,000,000 Placing Shares, representing 25.0% of the Company's issued share capital as enlarged by the allotment and issue of the Placing Shares will be in the hands of the public at the time of Listing, taking into no account of the Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme. Only securities registered on the branch register of members of the Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors, agents or advisors or any other person involved in the Placing accepts responsibility for any tax effects on or liabilities resulting from the subscription for, holding, purchase, disposal of, dealing in, or the exercise of any right in relation to the Placing Shares.

REGISTRATION AND STAMP DUTY

All the Placing Shares are freely transferable and will be registered on the Company's branch register of members to be maintained in Hong Kong by the Company's branch share registrar and transfer office in Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands by the Company's principal share registrar and transfer office in the Cayman Islands. Only Shares registered on the branch register of members of the Company in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters the Offer Size Adjustment Option, which is exercisable by the Joint Lead Managers (on behalf of the Underwriters) on or before 13 December 2012, the last Business Day prior to the Listing Date, to require the Company to allot and issue up to an aggregate of 11,250,000 additional Shares at the Placing Price, representing 15.0% of the total number of Shares initially available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the sole and absolute discretion of the Joint Lead Managers.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Lead Managers to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment result announcement will be published on the GEM website.

If the Offer Size Adjustment Option is exercised in full, the additional 11,250,000 Shares and the Shares offered in the Placing will represent approximately 3.6% and 27.7% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Statement of business objectives and use of proceeds" in this prospectus, on a pro rata basis.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisors for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on 14 December 2012. Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8291.

The Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and conditions of the Placing" to this prospectus.

DIRECTORS

NAME	ADDRESS	NATIONALITY
Executive Directors		
Dr. LEE Kai Hung (李啟鴻)	Flat 12B United Mansion 7 Shiu Fai Terrace Stubbs Road Hong Kong	British
Ms. CHAN Koon Woon (陳莞媛), also known as Mrs. LEE Chan Koon Woon (李陳莞媛)	Flat 12B United Mansion 7 Shiu Fai Terrace Stubbs Road Hong Kong	British
Dr. LEE Tse Ching, Elaine (李紫清), also known as Dr. EICK Lee Tse Ching, Elaine	Flat 22B The Royal Court 3 Kennedy Road Hong Kong	British
Mr. CHENG Bun (鄭鑌)	Room 2110, 21st Floor Block D, Kam Fung Court Ma On Shan New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. WONG Chi Wai (黃馳維)	Flat 13G Block 8 Lily Mansions Whampoa Garden Kowloon	Canadian
Mr. WONG Tat Yan, Paul (黃達仁)	Flat E 1st Floor Block 20 South Horizon Hong Kong	Chinese
Mr. CHAN Chun Yee (陳振宜)	Flat F 4th Floor Yat Hong Mansion Block 6 Lei King Wan Sai Wan Ho Hong Kong	Chinese

PARTIES INVOLVED IN THE PLACING

Sole Sponsor	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Cinda International Securities Limited 45/F COSCO Tower 183 Queen's Road Central Hong Kong
	Orient Securities Limited Room 2801-2804 28/F Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong
	Ping An of China Securities (Hong Kong) Company Limited 28/F 169 Electric Road North Point Hong Kong
Underwriters	Cinda International Securities Limited 45/F COSCO Tower 183 Queen's Road Central Hong Kong
	Orient Securities Limited Room 2801-2804 28/F Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong
	Ping An of China Securities (Hong Kong) Company Limited 28/F 169 Electric Road North Point Hong Kong
Legal advisors to the Company	*As to Hong Kong Law* Chiu & Partners 40th Floor Jardine House 1 Connaught Place Hong Kong

	As to PRC Law GFE Law Office 18th Floor Guangdong Holdings Tower No. 555 Dongfeng East Road Guangzhou 510050 The PRC
	As to Cayman Islands Law Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong Law* Sit, Fung, Kwong & Shum 18th Floor Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
	As to PRC Law Hills & Co. 11th Floor Central Business Building No. 88 Fu Hua First Road Fu Tian Central Business District Shenzhen 518026 The PRC
Auditors and reporting accountants	BDO Limited *Certified Public Accountants* 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 16th Floor Jardine House 1 Connaught Place Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Office No. 3517 35th Floor Wu Chung House 213 Queen's Road East Wanchai Hong Kong
Company website	www.southwesteco.com *(Note: The contents of this website do not form part of this prospectus)*
Company secretary	Mr. HO Cheuk Wai (HKICPA)
Authorised representatives *(for the purpose of the GEM Listing Rules)*	Mr. CHENG Bun Room 2110, 21st Floor Block D, Kam Fung Court Ma On Shan New Territories Hong Kong Mr. HO Cheuk Wai Flat F, 8th Floor, Tower 10 Laguna Verde Hunghom, Kowloon Hong Kong
Compliance advisor	Haitong International Capital Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Compliance officer	Mr. CHENG Bun Room 2110, 21st Floor Block D, Kam Fung Court Ma On Shan New Territories Hong Kong

Audit committee	Mr. WONG Chi Wai (黃馳維) (chairman) Mr. WONG Tat Yan, Paul (黃達仁) Mr. CHAN Chun Yee (陳振宜)
Remuneration committee	Mr. WONG Tat Yan, Paul (黃達仁) (chairman) Mr. WONG Chi Wai (黃馳維) Mr. CHAN Chun Yee (陳振宜)
Nomination committee	Mr. CHAN Chun Yee (陳振宜) (chairman) Mr. WONG Chi Wai (黃馳維) Mr. WONG Tat Yan, Paul (黃達仁)
Principal share registrar and transfer office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, PO Box 1586 Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of China 1 Garden Road Hong Kong

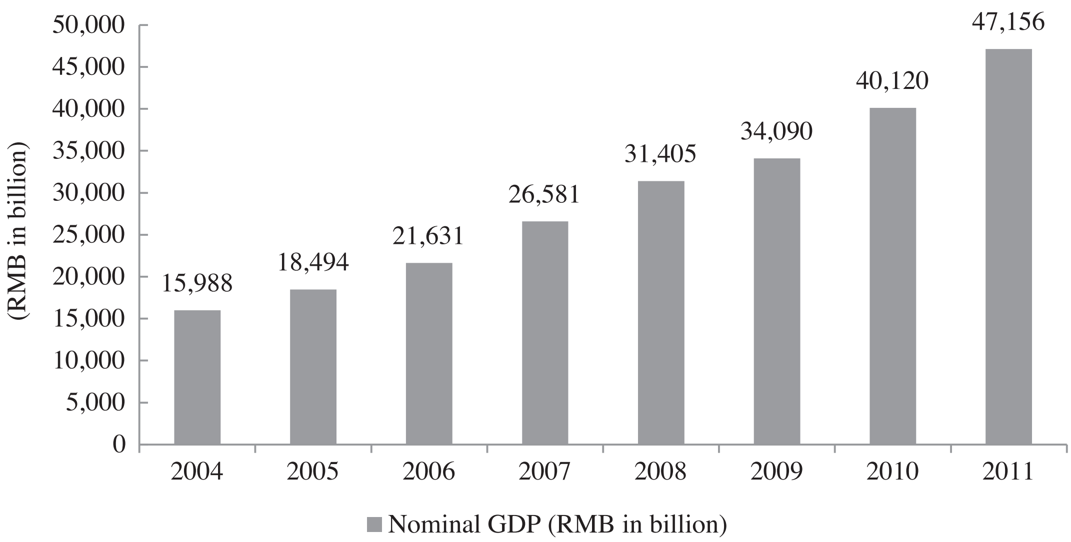
The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by CBRE HK Limited which was commissioned by us, unless otherwise indicated. The Directors believe that the sources of this information are appropriate sources for such information. The Directors have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by the Company, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers, the Underwriters, their respective advisors or affiliates or any other party involved in the Placing and no representation is given as to its accuracy, and accordingly, the information contained herein should not be unduly relied upon. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

MARCO-ECONOMIC CONDITIONS IN CHINA

In recent years, China has been one of the fastest growing economies in the world with an increase in nominal GDP from RMB15,988 billion in 2004 to RMB47,156 billion in 2011, achieving a CAGR of approximately 16.7%. In line with the GDP growth, China's per capita nominal GDP also rose from RMB12,336 in 2004 to RMB35,199 in 2011, leading to a CAGR of 16.2%. In addition, the per capita disposable income of urban households increased from RMB9,422 in 2004 to RMB21,810 in 2011, representing a CAGR of 12.7%.

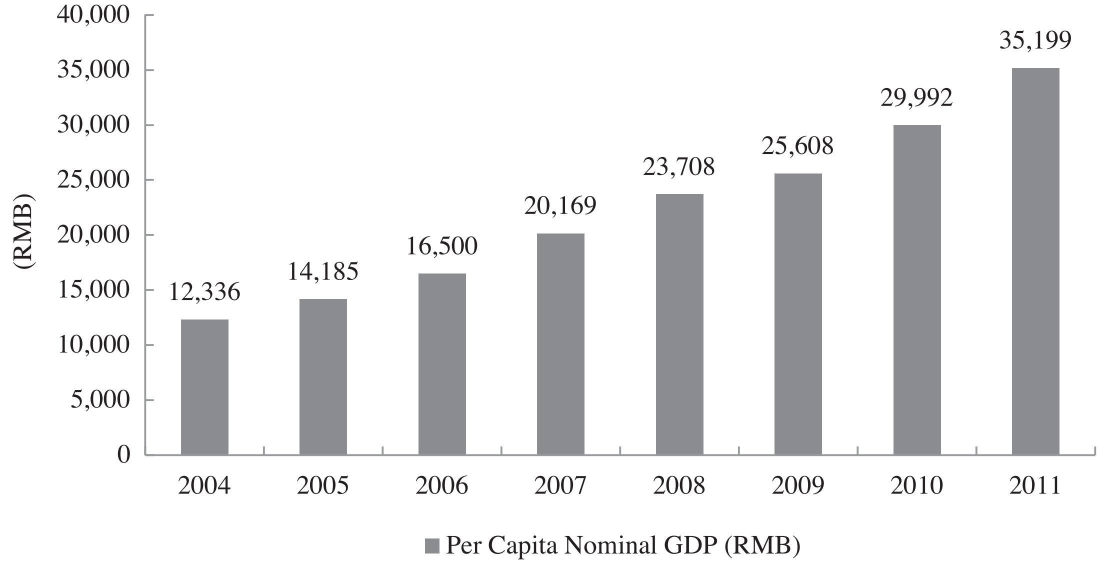
The following diagrams set forth the selected economic indicators of the PRC from 2004 to 2011.

China GDP, 2004-2011



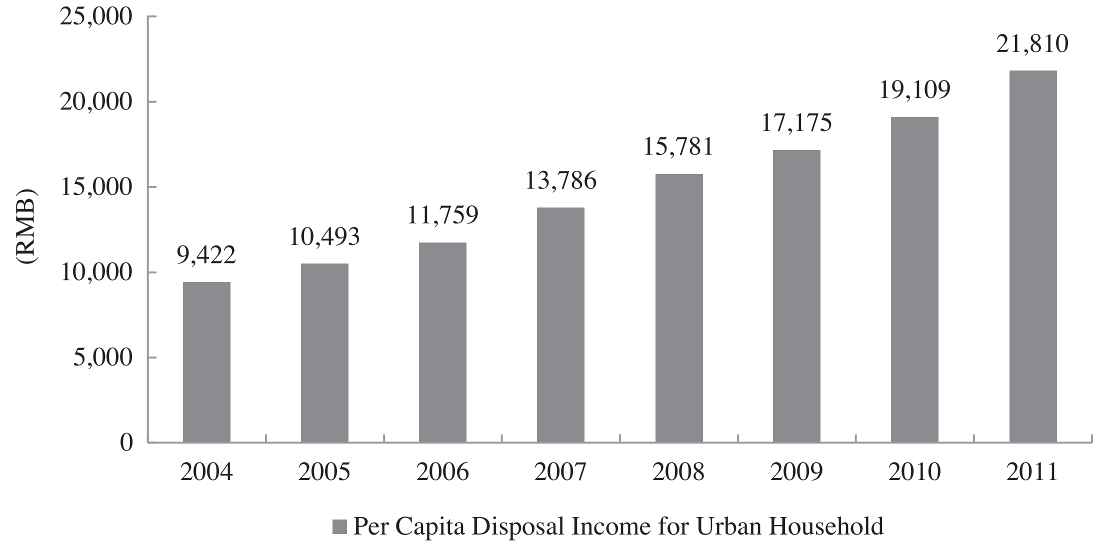
Source: National Bureau of Statistics of China

Per Capita Nominal GDP, 2004-2011



Source: National Bureau of Statistics of China

Per Capita Disposable Income of Urban Households, 2004-2011



Source: National Bureau of Statistics of China

REGULATORY DEVELOPMENT OF THE REAL ESTATE MARKET IN CHINA

Summaries of certain aspects of PRC laws and regulations which are relevant to the Group's operations and the property industry in China are set out in Appendix IV of this prospectus.

OVERVIEW OF THE ECONOMY OF NANNING

Location

Nanning, the capital city of Guangxi Zhuang Autonomous Region, has the geographical advantage of locating in a junction where three economic zones converge — the China-ASEAN zone, a trading zone which covers China's trading activities with its ASEAN neighbours, such as Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Cambodia, Laos, Myanmar and Vietnam; the Pan-Pearl River Delta Economic Region that links up Guangxi and the Guangdong province, Hong Kong and the Macau; and the Greater South-West Economic Region that stretches from the southern coastal province of Guangxi to the Indo-China Peninsula in the west. Nanning is one of the cities of the Guangxi Beibu Gulf Economic Zone, which is in fact the only coastal area in the Great Western Development Strategy* (西部大開發) of the PRC Government. Guangxi Zhuang Autonomous Region covers a total land area of approximately 22,112 sq.km. and had a total registered population of approximately 7.11 million at the end of 2011.

Green City

In 2001, the Nanning municipal government launched the "136 Project Planning Scheme* (136工程)" to improve the overall well-being for the city of Nanning. With the slogan: "small changes in one year, medium changes in three years and fundamental changes in six years* (一年小變化，三年中變化，六年大變化)", 136 Project Planning Scheme is a numerical acronym for the so-called one-three-six year city-wide planning scheme focusing on infrastructure and urban renewal of Nanning. With the objective of integrating the urban areas with the rural areas under a comprehensive development plan, the city of Nanning is undergoing urbanization and modernization on its core city area. The theme of the Nanning's urban planning is to promote the people-oriented concept and sustainable urban development. During the process of rapid urban development, Nanning emphasizes on improving the city's natural environment and to live up to its reputation as the "Green City of China". In 2007, Nanning won the "Habitat Scroll of Honour Award" given by the United Nations. Nanning was one of the two cities worldwide winning the award in 2007. The Habitat Scroll of Honour award was launched by the United Nations Human Settlements Programme in 1989 to recognize individuals and institutions which have made outstanding contributions in developing and improving the human settlements and quality of urban life. In addition, Nanning was also awarded as one of the "top ten low-carbon cities" in the PRC by the Economic Daily* (經濟日報) in 2011.

The Nanning municipal government has drawn up specific outlines in accordance with the objective of its urban planning scheme. In order to renew the urban area, modernization of the area known as "Old City Area of Nanning" (near Minsheng Road and Xingning Road within the city centre area, where the pedestrian zone is located) has been in progress. Upon completion of the redevelopment, that area is set to become a tourist and commercial zone of Nanning.

Preferential Policies

In January 2008, the PRC Government approved the Beibu Gulf Economic Zone Development Scheme* (北部灣經濟區發展規劃), which later became part of the national development strategies of the country. The Beibu Gulf Economic Zone covers six coastal cities along the Beibu Gulf, integrating the cities of Nanning with Beihai, Qinzhou, Fangchenggang, Chongzuo and Yulin. Surrounded by the provinces of Guangdong and Hainan, the zone has emerged as a new platform of collaboration between China and ASEAN member countries. The construction of the Beibu Gulf commenced in 2006. With the introduction of this development scheme, Nanning is set to become a core city among other cities of Beihai, Qinzhou and Fangchenggang within the Beibu Gulf area. According to the Beibu Gulf Economic Zone Development Scheme, the total urban area will cover 1,350 sq.km. by 2020, including first class city of Nanning, second class cities of Beihai, Qinzhou and Fangchenggang and other class of cities. With its strategic geographical location, Nanning is set to be developed into a transportation hub and information exchange centre between China and ASEAN member countries. To achieve this, Nanning is planning to develop high-technology, processing and manufacturing, logistics, exhibition, trading and finance service industries.

Since the publication of "Decisions on the Full Implementation of Development Planning of Guangxi Beibu Gulf Economic Zone* (廣西北部灣經濟區全面實施發展規劃之决策)" in December 2009, Nanning municipal government has been speeding up the development and construction of Guangxi Beibu Gulf Economic Zone by commencing port construction, focusing on the development of tourism, real estate industry and other infrastructure construction along the coast. To that end, preferential policies are expected to be introduced by Nanning municipal government to ensure the rapid and successful development of the Nanning economy.

Nanning's Economy

According to various Nanning Statistical Yearbooks and 2011 Nanning National Economy and Social Development Statistical Communique, Nanning has experienced substantial GDP growth throughout the years from 2004 to 2011. In 2011, Nanning's nominal GDP reached approximately RMB221 billion, while real GDP grew approximately 13.5% over 2010.

The table below sets out key economic statistics of Nanning for the periods indicated.

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2004-2011 CAGR**
Nominal GDP *(RMB billion)*	62	73	88	109	132	152	180	221	19.9%
Nominal GDP Growth Rate *(%)*	19.2	17.7	20.5	23.9	21.1	15.2	18.4	22.8	2.5%
Real GDP Growth Rate *(%)*	13.2	13.4	16.8	17.4	14.7	15.1	14.2	13.5	0.3%
Per Capital Nominal GDP *(RMB)*	9,595	11,127	13,220	16,070	19,204	21,945	25,622	31,173	18.3%
Per Capita Disposable Income of Urban Households *(RMB)*	8,060	9,203	10,193	11,877	14,446	16,254	18,032	20,005	13.9%

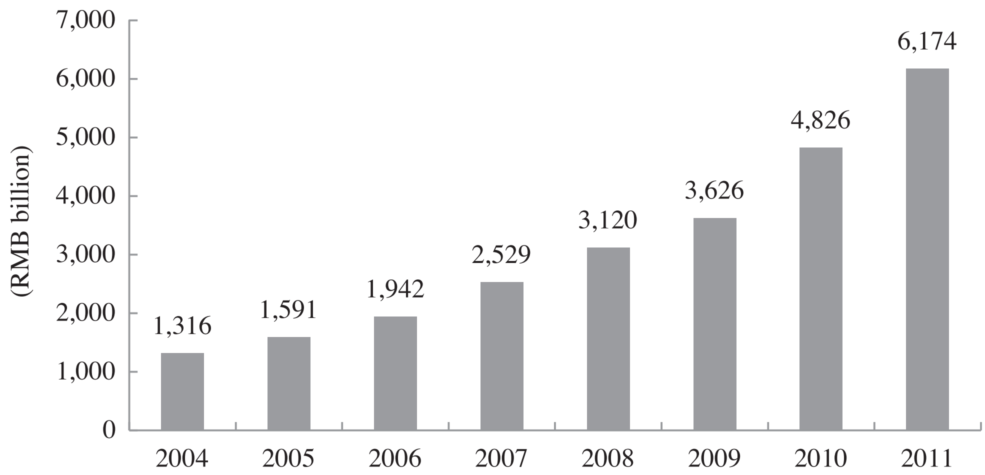
Sources: *Nanning Municipal Bureau of Statistics*
2011 Nanning National Economy and Social Development Statistical Communique

GROWTH OF REAL ESTATE MARKET IN CHINA

With a rapidly growing economy, the property development industry in China has experienced high growth in recent years. Throughout the years from 2004 to 2011, investment in real estate development in PRC grew from approximately RMB1,316 billion to RMB6,174 billion with a CAGR of approximately 24.7%.

The following diagram illustrates investments in property development in China from 2004 to 2011:

Investment in Property Development, 2004-2011



Source: National Bureau of Statistics of China

The upward trend in the China property industry is evidenced by the growth of the sales volume of property transaction. According to the National Bureau of Statistics of China, the total sales volume of retail properties in China increased from approximately RMB1,204 billion in 2004 to approximately RMB6,349 billion in 2011, whereas the total sales volume of residential properties grew from approximately RMB882 billion in 2004 to approximately RMB4,861 billion in 2011.

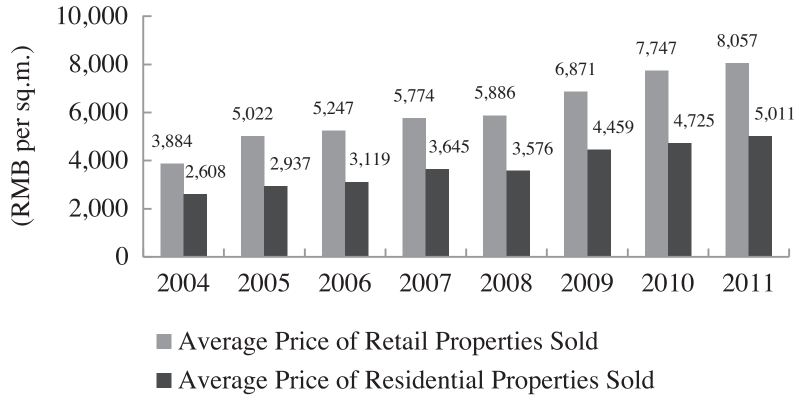
The following diagram illustrates the growth of retail and residential properties sold in terms of GFA in China from the years 2004 to 2011:

Area of Retail Properties and Residential Properties Sold, 2004-2011

Source: National Bureau of Statistics of China

The following diagram illustrates the growth of average price of retail and residential properties sold in the PRC from the years 2004 to 2011:

Average Price of Retail Properties and Residential Properties Sold, 2004-2011



Source: National Bureau of Statistics of China

The overall average prices of retail and residential properties in China had been on a rising trend between the years 2004 to 2011. The average price of retail properties sold grew from approximately RMB3,884 per sq.m. in 2004 to approximately RMB8,057 per sq.m. in 2011, representing the CAGR of 11%; whereas the average price of residential properties sold increased from approximately RMB2,608 per sq.m. in 2004 to approximately RMB5,011 per sq.m. in 2011, representing the CAGR of 9.8%.

The table below sets forth key statistics relating to the property leasing and property management markets in China for the periods indicated:

China	2004	2005	2006	2007	2008	2009	2010	2011
Rental Index Growth Rate (%)	2.1	7.4	8.5	6.6	4.7	-3.4	2.7	3.6
Property Management Fee Index Growth Rate (%)	N/A	0.0	0.3	0.5	0.5	0.4	N/A	N/A

Sources: Rental Price Index Growth Rate - CBRE Research
Property Management Fee Index Growth Rate - National Bureau of Statistics of China

The Rental Price Index (房屋租賃價格指數) refers to the rental price index of retail properties. The growth rates of China's Rental Price Index recorded positive growth with the exception of year 2009 for the periods from 2004 to 2011. Apart from the years 2007 to 2009 having growth rate declining, the period of years 2004 to 2006 and years 2010 to 2011 recorded increasing rental growth rate.

The Property Management Fee Index (物業管理價格指數) refers to the property management fee index of residential and non-residential properties. During year 2005, no change was recorded in the index. From 2006 to 2009, China's Property Management Fee Index recorded growth rates of 0.3%, 0.5%, 0.5% and 0.4% respectively.

The National Bureau of Statistics of China has stopped recording the Property Management Fee Index since 2010. The above statistics show the most updated data available from the National Bureau of Statistics of China.

PROPERTY MARKET IN NANNING

Investment in property development of Nanning increased significantly from approximately RMB6.8 billion in 2004 to RMB37.8 billion in 2011, representing the CAGR of 27.8%.

In 2011, the GFA of retail and residential properties completed were approximately 510,000 sq.m. and 4.1 million sq.m. respectively. The GFA of retail properties completed and sold grew at the CAGR of approximately 2.1% and 14.9% respectively from the years 2004 to 2011. In the residential property sector, the GFA of properties completed and sold grew at the CAGR of about 3.1% and 9.4% respectively from the years 2004 to 2011. The average selling price of retail properties increased at the CAGR of approximately 1.6% between 2004 and 2011, whereas that of residential properties increased more rapidly at the CAGR of approximately 11% between 2004 and 2011.

The table below sets out selected property market indicators of Nanning between the years 2004 and 2011:

	2004	2005	2006	2007	2008	2009	2010	2011	2004-2011 CAGR
Investment in property development *(RMB billion)*	6.8	10.5	13.9	18.7	19.9	22.7	31.8	37.8	27.8%
Sale of retail properties *(RMB billion)*	1.3	1.3	1.3	1.4	1.8	1.8	1.9	3.7	16.1%
Sale of residential properties *(RMB billion)*	7.9	10.0	11.2	19.2	16.5	30.6	29.8	30.7	21.4%
Area of retail properties completed *(million sq.m.)*	0.44	0.51	0.34	0.24	0.37	0.21	0.25	0.51	2.1%
Area of residential properties completed *(million sq.m.)*	3.3	3.2	3.0	3.4	3.5	3.6	4.3	4.1	3.1%
Area of retail properties sold *(million sq.m.)*	0.14	0.21	0.19	0.23	0.18	0.20	0.17	0.37	14.9%
Area of residential properties sold *(million sq.m.)*	3.2	4.2	4.2	5.9	4.4	6.9	6.0	6.0	9.4%
Average selling price of retail properties *(RMB per sq.m.)*	9,068	6,592	6,712	6,373	9,918	8,628	10,941	10,148	1.6%
Average selling price of residential properties *(RMB per sq.m.)*	2,477	2,390	2,656	3,273	3,720	4,463	4,952	5,132	11%

Sources: Nanning Municipal Bureau of Statistics
China Real Estate Index System (CREIS)

The table below sets forth key statistics relating to the property leasing and property management market in Nanning for the periods indicated:

Nanning	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Rental Index Growth Rate (%)	0.2	5.4	7.1	3.6	4.9	-2.8	-4.1	-1.8
Property Management Fee Index Growth Rate (%)	N/A	0.2	0.1	0.0	1.1	0.2	0.9	N/A

Sources: Rental Price Index Growth Rate - CBRE Research
Property Management Fee Index Growth Rate - National Bureau of Statistics of China and Nanning Monthly Investigation Report

The growth rates of Nanning's Rental Price Index were volatile between 2004 and 2011. Positive growth rates were recorded for the years from 2004 to 2008, recording changes of 0.2%, 5.4%, 7.1%, 3.6% and 4.9% respectively; while negative growth rates were recorded for the years from 2009 to 2011, recording changes of -2.8%, -4.1% and -1.8% respectively.

The decrease of the area of residential properties sold in Nanning in 2010 was due to the impact of austerity measures introduced by the Central Government on suppressing the housing demand.

During the years of 2010 and 2011, there were various new retail properties locating in new development area launched onto the market in Nanning. Due to the non-prime location and rental concession offered to tenants, the rental rates for newly completed retail properties were relatively lower than general market level which dragged down the overall rental index.

The fluctuations of sale volume and retail index are due to different factors, including location and Central Government's policy, and the property market in Nanning is therefore considered not saturated.

The growth rates of Nanning's Property Management Fee Index were also fluctuated between 2005 and 2009, recording changes of 0.2%, 0.1%, 0%, 1.1% and 0.2% within the period. The most updated information on Property Management Fee Index extended only to the first half of 2010, recording a growth rate of 0.9% as compared to the first half of 2009.

The National Bureau of Statistics of China has stopped recording the Property Management Fee Index since 2010. The most updated information on this index for the first half of 2010 is extracted from the Nanning Monthly Investigation Report.

APPLICATION OF FORMAL QUALIFICATION CERTIFICATE

Set out below are the application requirements for four different levels of formal qualification certificate, namely the first, second, third and fourth level.

Level of qualification	Application requirements
First level	1. The registered capital shall not be less than RMB50 million; 2. Over five years of operating experience in real estate development; 3. In the past three years, the accumulative GFA completed is more than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; 4. The passing rate of quality of construction work* (建築工程質量合格率) is 100% for five consecutive years; 5. Over a GFA of 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested last year; 6. The professional management team consists of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and/or economics, among which, the number of management staff with professional titles of or above intermediate level shall be no less than 20 persons and there shall be no less than 4 accountants holding professional qualification certificates; 7. The person-in-charge of engineering technology, finance, statistics, etc. shall hold professional titles of or above the intermediate level; 8. There shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee* (住宅質量保證書) and Residential User Manual* (住宅使用說明書) shall be implemented; and 9. There shall not be any occurrence of any major accident relating to construction quality.

Level of qualification	Application requirements
Second level	1. The registered capital shall not be less than RMB20 million; 2. Over three years of operating experience in real estate development; 3. In the past three years, the accumulative GFA completed is more than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; 4. The passing rate of quality of construction work is 100% for three consecutive years; 5. Over a GFA of 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested last year; 6. Professional management team consists of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and/or related economics, among which, the management staff with professional titles of or above the intermediate level not less than 10 persons and there shall be no less than 3 accountants holding professional qualification certificates; 7. The person-in-charge of engineering technology, finance, statistics, etc. shall hold professional titles of or above the intermediate level; 8. There shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and 9. There shall not be any occurrence of any major accident relating to construction quality.

Level of qualification	Application requirements
Third level	1. The registered capital shall not be less than RMB8 million; 2. Over two years of operating experience in real estate development; 3. The accumulative GFA completed is or more than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; 4. The passing rate of quality of construction work is 100% for two consecutive years; 5. Professional management team consists of no less than 10 persons with title and majoring in architecture, construction, finance, real estate and/or economics, among which, the management staff with professional titles of or above intermediate level shall be no less than 5 persons and there shall be no less than 2 accountants holding professional qualification certificates; 6. The person-in-charge of engineering technology, finance, etc. shall hold professional titles of or above the intermediate level and the person-in-charge for statistics, etc shall hold professional titles of or above the primary level; 7. There shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and 8. There shall not be any occurrence of any major accident relating to construction quality.

Level of qualification	Application requirements
Fourth level	1. The registered capital shall not be less than RMB1 million; 2. Over one year of operating experience in real estate development; 3. The passing rate of quality of construction work is 100%; 4. Professional management team consists of no less than 5 persons with title and majoring in architecture, construction, finance, real estate and/or related economics and there shall be no less than 2 accountants holding professional qualification certificates; 5. The person-in-charge of construction shall hold professional titles of or above intermediate level and the person-in-charge of finance shall hold professional titles of or above the primary-level. There shall be professional statistician(s); 6. There shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and 7. There shall not be any occurrence of any major accident relating to construction quality.

Set out below are the application requirements and the scale of property development projects of interim qualification certificate in Guangxi:

Application requirements	At least meet the requirements set for the fourth level qualification certificate.
Scale of property development projects	Developer holding interim qualification certificate with registered capital and personnel requirement attaining those required for obtaining the first level qualification certificate, may undertake real estate project with an individual GFA of not more than 250,000 sq.m.; Developer holding interim qualification certificate with registered capital and personnel requirement attaining those required for obtaining the second level qualification certificate, may undertake real estate project with an individual GFA of not more than 150,000 sq.m.; Developer holding interim qualification certificate with registered capital and personnel requirement attaining those required for obtaining the third level qualification certificate, may undertake real estate project with an individual GFA of not more than 100,000 sq.m.; and Developer holding interim qualification certificate with registered capital and personnel requirement attaining those required for obtaining the fourth level qualification certificate, may undertake real estate projects with an individual GFA of not more than 50,000 sq.m.

Other than the above, in Guangxi, neither is there any difference between interim qualification and formal qualification, nor are there any other restrictions or limitations imposed on the holder of interim qualification. The PRC Legal Advisor is of the opinion that, based on the relevant documents provided by the Group, the GFA of each property projects of the Group does not exceed the GFA limitation as contained on the formal or interim qualification certificate, and all the project companies comply with the relevant requirements set forth on the formal or interim qualification certificate.

GREEN BUILDING STANDARDS OF THE PRC

The green building standards of the PRC is governed by the PRC's Evaluation Standards for Green Buildings* (綠色建築評價標準) with standard number GB/T 50378-2006 (the Green Building Standards). The Green Building Standards was approved by the MOHURD, formerly known as MOC, as the national standard in 2006.

According to the Green Building Standards, for a development project to be regarded as Green Building, the development project must fulfill to a certain extent the criteria as set out in the Green Building Standards. The assessment criteria among other things are based on six areas, namely (i) land-saving and outdoor environment, (ii) energy-saving and energy utilization, (iii) water-saving and water resources utilization, (iv) construction materials-saving and construction materials resources utilization (v) indoor environment quality, and (vi) operation management. Summary of the major criteria based on these six areas are described as follows:

1. Land-Saving and Outdoor Environment

   a. The location of the residential site is situated away from natural disasters like flood, mud-rock flow and that the soil is free of radon. The site is also free of any dangerous electromagnetic wave radiation and free of any dangerous source that can generate uncontrolled fire, explosion and toxic gas leakage.

   b. Minimum greenery site coverage of 30% and that the public greenery area per capita ratio is between 1 to 2 sq.m. per person.

   c. Plantation of native plants that are adaptive to the local environment, pest resistant and causing no harm to human.

2. Energy-Saving and Energy Utilization

   a. The standard and quality of thermal engineering design are in accordance with the relevant national standards.

   b. The cooling unit for the centralised air-conditioning system should achieve the performance and energy efficiency ratio in accordance with the required national standards.

3. Water-Saving and Water Resources Utilization

   a. To consider the balance on the use of traditional and non-traditional water sources during the master planning stage.

   b. The implementation of an efficient water supply system to ensure the water quality and the reliability and stability of water supply.

   c. Water-saving equipment should be used and the water-saving percentage should not be less than 8%.

   d. To install measurement tools for tracking the consumption of water in different aspects for each residential unit and enforce effective measures to avoid water pipe leakage.

4. Construction Materials-Saving and Construction Materials Resources Utilization

   a. The use of construction materials are in accordance with the relevant national standards, in particular the percentage content of toxic levels in the construction materials.

   b. The use of decoration components and parts that are ready-to-use to avoid further input and waste at the construction site.

5. Indoor Environment Quality

    a. Under natural ventilation condition, the maximum temperature of the roof and outwall of a living space should comply with the required national standard.

    b. Effective noise insulation and controls should be implemented to control the noise level of living room and bedroom to be less than 45dB during daytime and 35dB during night time when windows are closed.

    c. At least one room per residential unit should comply with particular natural lighting standard.

6. Operation Management

    a. To implement policies to enforce energy-saving, water-saving, construction materials-saving and greenery control.

    b. To record and charge separately on the usage of water, electricity, gas, heat and air-conditioning for each residential unit.

    c. To implement policies on waste management to effectively control the waste disposal logistics and implement classification of waste.

    d. The use of fully covered waste containers and the use of bags for household waste.

THE IMPACT OF THE AUSTERITY MEASURES ON THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA

The real estate market in China has experienced exponential growth in recent years. In light of the overheated residential property market, the PRC Government has introduced an array of tightening measures in 2010 and 2011 to cool down and to discourage the speculation in the residential property market. The State Council issued the Notice on Curbing the Soaring of Housing Prices in Some Cities* (國務院關於堅決遏制部分城市房價過快上漲的通知) in April 2010. The introduction of this policy did not affect the strong performance of the Nanning residential market very much; the demand on residential properties in Nanning edged down slightly by about 6.7% in the third quarter of 2010 as compared to the second quarter of 2010.

The overall residential property market in China was back to a rising trend in the second half of 2010 and experienced high growth at the beginning of 2011. As a result, the PRC Government decided to further suppress the overheated residential property at the beginning of 2011. The General Office of the State Council introduced the Notice on the Issue of Further Improving the Real Estate Market Regulation* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) in January 2011 and the General Office of CBRC issued the Notice on Improving Housing Financial Services and Strengthening Risk Management* (中國銀監會辦公廳關於做好住房金融服務加强風險管理的通知) in March 2011. These measures resulted in a plunge on the demand of residential properties in Nanning. The area of residential properties sold in Nanning decreased dramatically from 1,611,000 sq.m. in the first quarter of 2011 to 462,000 sq.m. in the second quarter of 2011, representing a drop of about 71.3%.

As far as the demand side was concerned, the measurements introduced by the PRC Government had great impact to the residential property market in Nanning. These policies curtailed the ability of customers to obtain mortgage loans from banks to purchase residential properties, which consequently adversely affected the demand of the residential property market. However, the average selling prices of residential properties in Nanning remained relatively stable from 2010 to the end of the first two quarters of 2012 after announcement and introduction of the array of tightening policies.

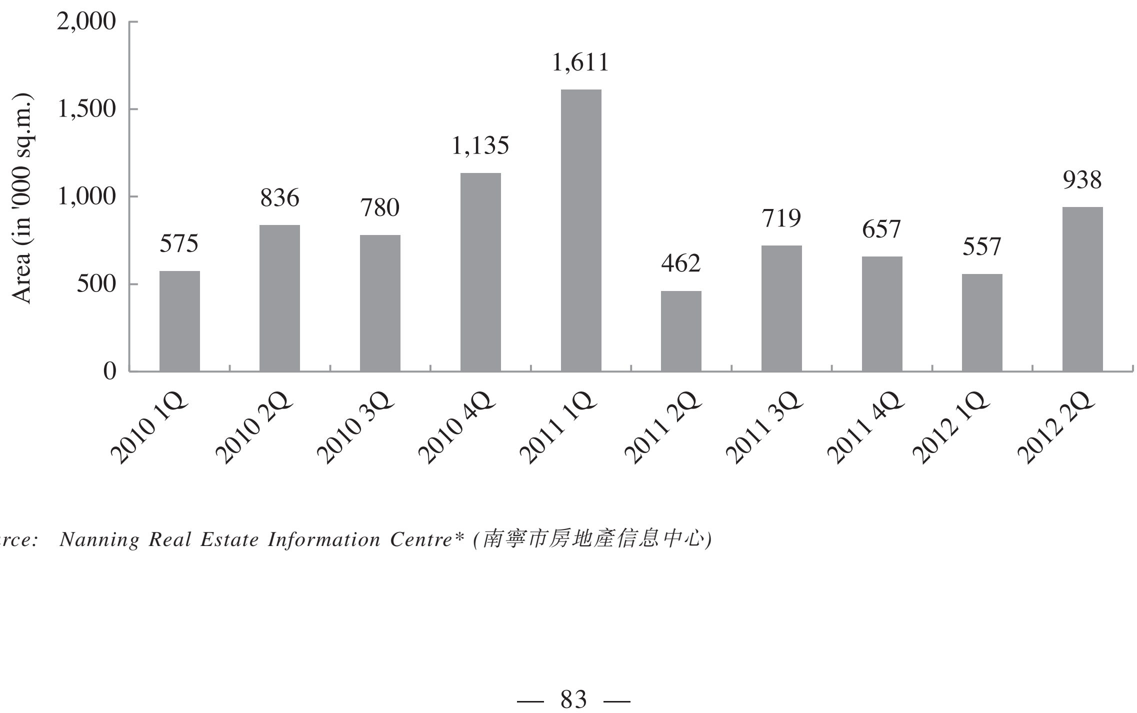
On the other hand, the retail property market in Nanning was not adversely affected by the said tightening policies. The area of retail properties sold was generally on a rising trend throughout the years of 2010 to 2011, although a drop was observed during the first two quarters of 2012. The average selling prices of retail properties in Nanning did not appear to correlate with the enforcement of the tightening policies, which was targeted to cool down the overheated residential property market.

Latest Market Development in China since June 2012

In view of the changing sentiment of the housing market in June 2012 for the 70 large-and-medium-size cities, PRC Government has recently reiterated the importance of maintaining austerity measures towards the residential property sector. In the second half of 2012, the PRC Government is still pursuing the tightening policies to control the residential property market price. The transaction volume of residential housing market slightly edged down in August 2012 after the increase in June and July 2012 and the overall price remained stable during July and August 2012.

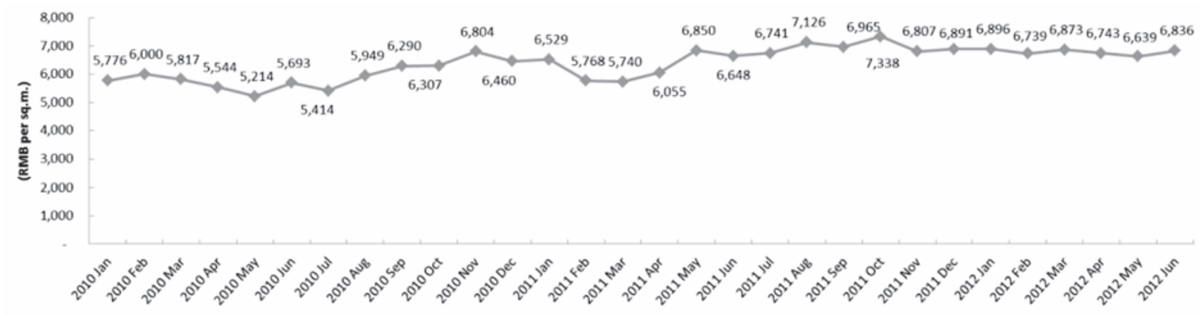
The following diagrams indicate the demand and the average selling price of residential properties in Nanning from January 2011 to June 2012.

Areas of Residential Properties Sold in Nanning from 1st Quarter of 2010 to 2nd Quarter of 2012



Source: Nanning Real Estate Information Centre (南寧市房地產信息中心)*

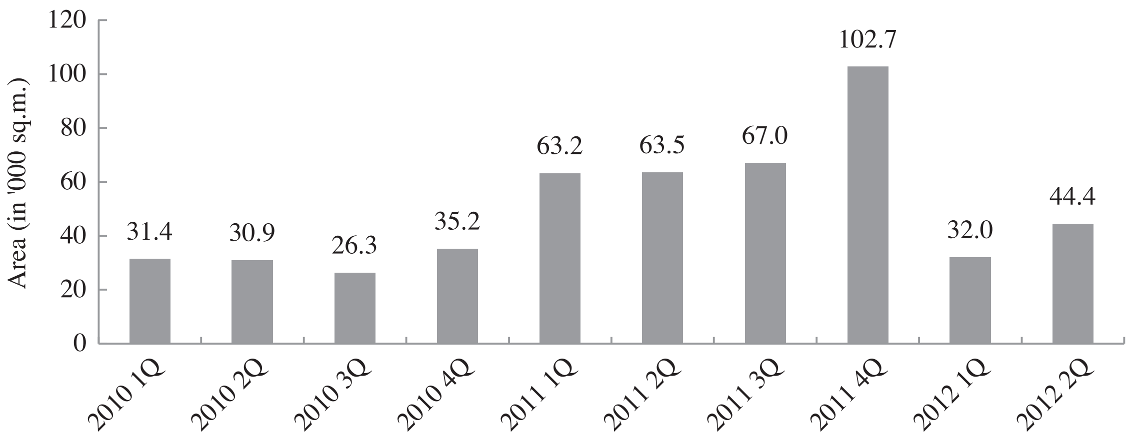
Average Price of Residential Properties in Nanning from January 2010 to June 2012



Source: Nanning Real Estate Information Centre (南寧市房地產信息中心)*

The following diagrams indicate the demand and the average selling prices of retail properties in Nanning from January 2011 to June 2012.

Areas of Retail Properties Sold in Nanning from 1st Quarter of 2010 to 2nd Quarter of 2012



Source: Nanning Real Estate Information Centre (南寧市房地產信息中心)*

Average Price of Retail Properties in Nanning from January 2010 to June 2012

Source: Nanning Real Estate Information Centre (南寧市房地產信息中心)*

Note:

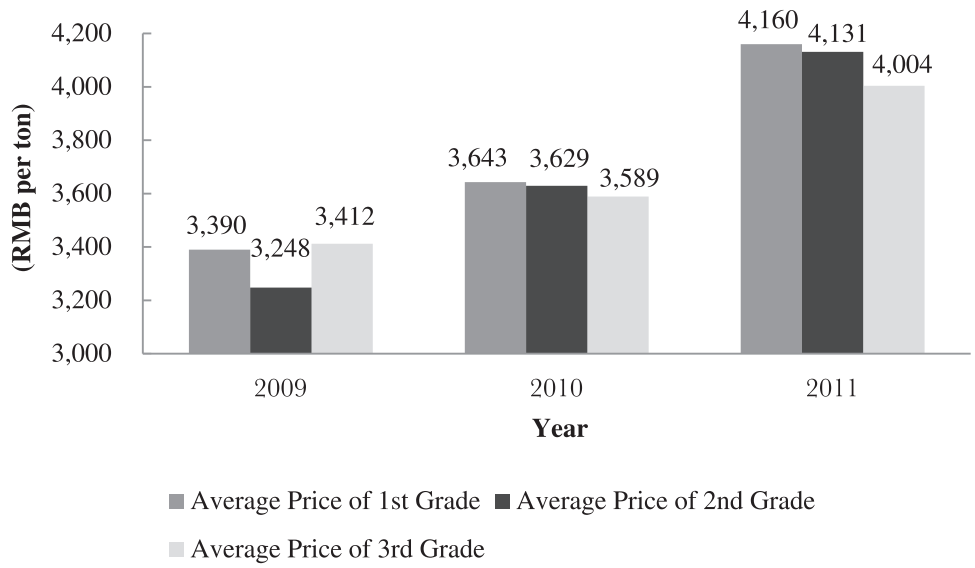
The higher average price of retail properties in April 2012 was due to the fact that only street-facing retails shops were transacted and street-facing retail shops are generally more expensive comparing to other categories of retail shops, e.g. shopping mall commercial units, factory shops etc. In May and June 2012, there were transactions in other categories of retail shops, which distorted the average selling prices of retail properties in May and June 2012 as compared to April 2012. In addition, since the location is a major factor that affects the price of retail properties, the average selling price of these retail properties can vary materially from place to place.

PRICE OF CONSTRUCTION MATERIALS IN PRC

The Group's major construction materials consist of various grades of ordinary steel bars, concrete and cement. During the years from 2009 to 2011, the prices of various grades of ordinary steel bars in the PRC had increased substantially.

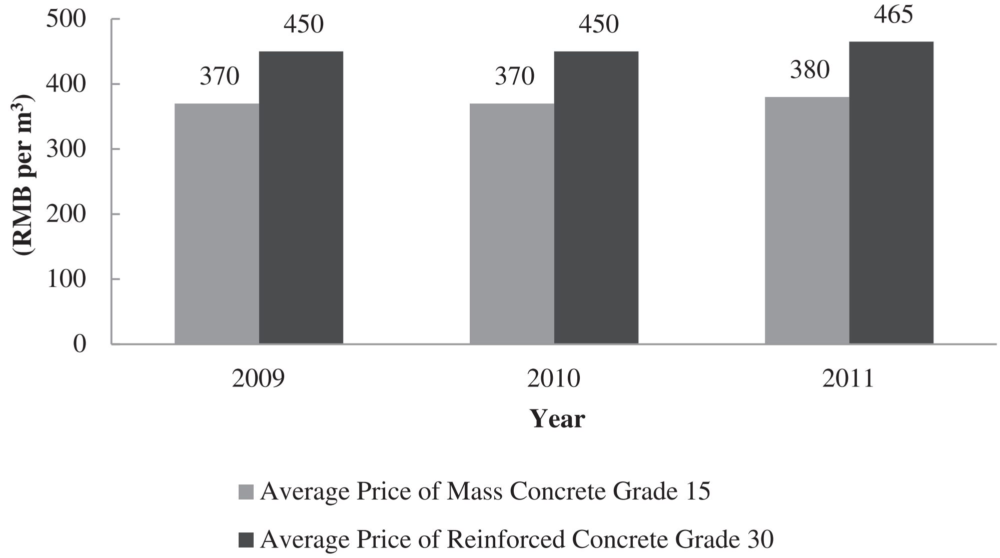
The following diagrams indicate the prices of various grades of ordinary steel bars, concrete and cement from 2009 to 2011:

Average Price of Ordinary Steel Bar in China



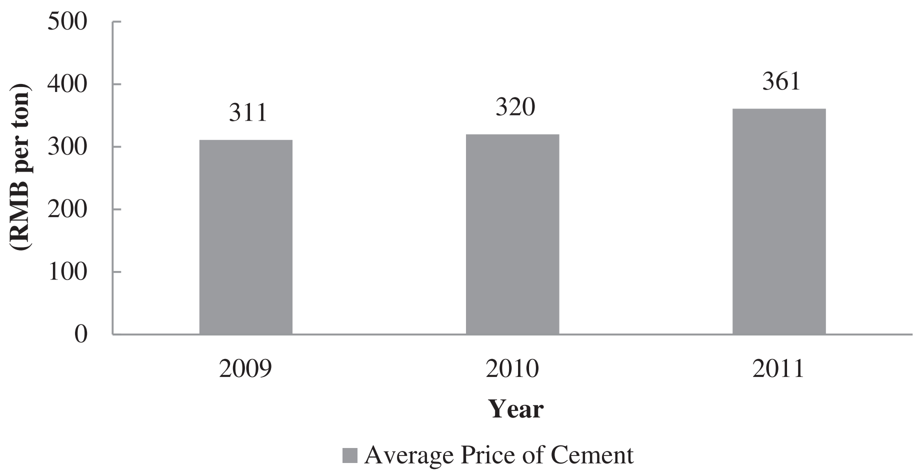
Source: National Bureau of Statistics of China

Average Price of Concrete in Guangzhou/Shenzhen



Source: CBRE

Average Price of Cement in China



Source: National Bureau of Statistics of China

For more information on the impact of the fluctuation in price of construction materials, please refer to the paragraph headed "The Group's financial results may be adversely affected by rising costs of construction" under the sub-section headed "Risks relating to the Group" in the section headed "Risk factors" of this prospectus.

INDUSTRY TREND FOR THE NANNING PROPERTY MARKET

Since 2010, the China's Central Government has issued several policies to suppress speculation on the residential property market and as a result the residential property market price growth has slowed. However, price control measures were not placed upon the retail property market, thus in general the retail property market has retained its trend of positive growth.

The effect of the China's Central Government's policies upon the Nanning residential property market is that local real estate developers are hesitating with respect to new property investments. However, with the continuing growth of the Nanning's economy as evidenced by the growth of GDP and the growth of per capital disposable income of urban households, the outlook of residential property market of Nanning will remain positive. Situated in the area of the China-ASEAN economic zone and the Pan-Pearl River Delta Economic Region, Nanning attracts people located in areas surrounding the city because of its rapid urbanization and economic growth. According to Nanning's Master Urban Planning for the Period of 2010-2020* (南寧市城市總體規劃2010-2020), the population of the central urban area of Nanning will grow from 2.1 million to around 3.0 million, and the total population of Nanning will reach about 8.0 million. Even though the China's Central Government plans to increase the supply of public housing and keep suppressing the residential market, the demand for commodity residential property is expected to remain robust due to the urbanization and population growth of Nanning. Moreover, as income level of the general population rises, their affordability for higher quality residential properties is expected to escalate and hence further strengthen the demand of the residential property market. The rise in purchasing power, coupled with the population growth of Nanning, urbanization of Nanning and the accumulation of wealth among the population, will be major drivers of the residential property market in Nanning to remain on a positive trend. Therefore, the outlook of the Group's business performance in this sector will be optimistic.

The demand for retail property in Nanning has remained strong, since it is an important trade city linking China with ASEAN. In addition, Nanning benefits from the China-ASEAN free trade agreement where thousands of goods and commodities in the region enjoy low or no tariff. In this regard, the retail property market in Nanning benefits from these favorable trade policies and results in increasing demand for retail properties. On the other hand, due to the impact of austerity measures on the residential market, the purchasing power shifts to the retail property market for seeking investment opportunities. Moreover, to facilitate urbanization and economic growth, together with the traditional commercial areas of Chaoyang Commercial Area* (朝陽商圈) and Xinghu-Dongge Commercial Area* (東葛-星湖商圈), the Nanning municipal government is cultivating several areas such as Wuxiang-Hangyang Commercial Area* (五象-航洋商圈), the Fengling Commercial Area* (鳳嶺商圈) and the Southern Commercial Area* (城南商圈) into mature commercial areas. The implementation of these development plans and the upgrading of the shopping environment around the city to meet with the new demand make the investment in the retail property market in Nanning as an attractive option. Therefore, the outlook of the retail property market in Nanning remains optimistic.

POSITIONING OF THE GROUP

With more than 19 years of experience in developing properties, the Group is considered to be one of the pioneers in the real estate development industry in Nanning. As an early entrant into the industry, the Group has enjoyed the advantage of choosing a prime location and developing a good relationship with the local government. The Group possesses formal and/or interim qualification certificates for property development for all of its development projects, and it is advised by the PRC Legal Advisor that interim qualification certificates are no inferior to formal qualification certificates, as far as the Group's current business of property development is concerned.

In regards to the retail property development, the Group has developed and renovated the Yu Feng Plaza and Yu Feng High Street. These two retail properties are located in the central area of Chaoyang Commercial Area* (朝陽商圈) which is the prime shopping area and pedestrian zone of Nanning. The positioning of these two retail properties are considered to be mid-end, and the average rental prices of these two properties are currently at relatively low levels in comparison to other similar retail developments in the area. Yu Feng Plaza has been established in the area for many years and its rental is expected to maintain steady positive growth given its prime location in the shopping area and the ongoing urbanization of the city. Regarding Yu Feng High Street, having been recently re-opened after renovation in December 2011, it will take some time to develop an optimum tenant mix and thus its rental income might be fluctuating during the lease up period. Before achieving as a stabilized and mature retail mall, Yu Feng High Street would adopt aggressive leasing strategy and rental concession in order to attract good tenants and compete with other new shopping malls in the area.

In the business of residential property development, the Group developed Fond England with new green technology and has already met with several green building standards and attained a couple of environmental-friendly awards. This is considered to be a high-end residential development and the unit sale price of this development project is in the upper price level in the Fenglin (鳳嶺) area of Nanning.

In addition to property development, the Group also manages properties in Nanning. Golden Yu Feng is a non-wholly owned subsidiary of the Company which manages many developments in Nanning, including Yu Feng Plaza, Guo Mou Centre and International Kitchen Supplies Centre. Guo Mou Centre is located in the Chaoyao Commercial Area* (朝陽商圈) and in particular situated on the pedestrian section of Minzu Avenue (民族大道), which is the major transportation hub of Nanning. Nowadays, the Guo Mou Centre is becoming a popular location for shopping and entertainment in Nanning. International Kitchen Supplies Centre is located on Gucheng Road (古城路), which is another busy commercial district with heavy pedestrian flow. Golden Yu Feng is considered to be moderately competitive within the property management industry in Nanning, possessing a valid Class 2 property management qualification in comparison with the majority of property management companies in Nanning, which hold only Class 3 qualification.

COMPETITIVE LANDSCAPE OF THE GROUP

Competition in the property market in Nanning has been intensified over the past years. In particular, the large-scale retail and residential property markets in Nanning have been highly competitive, as domestic and international real estate developers have entered into the Nanning market with rapid growth. Moreover, the PRC Government has implemented policies tightly controlling the amount of new land available for development and purchase on real estate property, which further increased competitions in the property market in Nanning.

Real estate developers primarily compete on a number of factors including but not limited to product and service quality, price level, financial resources, branding and ability to obtain land reserves. The Group's existing and potential competitors in Nanning include other major real estate developers in China.

The China's Central Government has issued a series of policies and measures, together with local administrative restrictions on property purchase, to regulate China's real estate market, in which first-tier cities are more susceptible than second and third-tier cities. It is generally believed that such policies and measures do not only restrain housing prices from going up but also accelerate urbanization in countryside and small towns and development of new urban communities in the second and third-tier cities in China. In view of the above, the Group will continue to focus on the business of real estate development of middle- to high-end projects, managing property, improving the quality of service of property management and utilizing green building technology in Nanning. Under this strategy, accompanying with the rapid economic growth and urbanization of Nanning, the Group will be able to further diversify its business lines which makes it in a better position to withstand risks and be a competitive market player.

Business development

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 February 2011. The Group is principally engaged in the businesses of property development, property leasing, property management and consultancy businesses in Nanning, Guangxi, the PRC. The Group is an award winning green building property developer and an ISO14001 and ISO 9001 certified property manager in the city of Nanning, Guangxi. Founded in 1993, the Group has more than 19 years of experience in developing and leasing properties and approximately 9 years of experience in managing properties in numerous locations in Nanning.

The Group entered into the property development business by establishing Yu Feng Real Estate on 27 July 1993 with two PRC joint venture partners. In 1994, the Group commenced the first property development project, Yu Feng Plaza, located at the core zone in Xingning District of Nanning. The land on which Yu Feng Plaza is situated was contributed by one of its PRC joint venture partners, Bai Yi Commercial.

For its property leasing business, the Group received leasing income generated from investment properties acquired through Bai Yi Commercial. Over the years from 2003 to 2010, the Group obtained the equity interest of approximately 87.52% in Bai Yi Commercial and became the indirect owner of investment properties of certain land reserves located mainly in two districts, namely Xingning District and Xixiangtang District of Nanning.

On 4 August 2003, the Group established Golden Yu Feng to carry on the property management, property leasing, and property consultancy businesses.

In 2005, the Group commenced the re-development of Yu Feng Plaza to convert it into a commercial and residential complex. The re-development was completed in 2007. After the re-development, Yu Feng Plaza became a 21-storey building, covering a total GFA of over 39,000 sq.m.

In 2007, Yu Feng Real Estate acquired the entire equity interest of 100% in WTS Real Estate, the project company for Fond England, a residential development located in the Fengling sub-district of Nanning. Fond England was developed by applying the green technology as the Group followed the Green Building Standards. The development of Phase 1 of Fond England was completed in December 2009. The Group commenced the development of Phase 2 and Phase 3 of Fond England in 2008 and 2010, respectively, and expects to complete the development of Phase 2 of Fond England by the first quarter of 2013. The development of Phase 3 of Fond England was completed in the third quarter of 2012. The Group received a number of awards and accolades in connection with the design and development of Phase 1 of Fond England for its dedication to the use of green technologies and environmental preservation.

Following the success in the application of green technologies in the development of Fond England, the Group applied the experience that it has gained from using green technologies in the development of Li Yuan Project to convert the site that it owns into environment friendly projects. The site for the project is held by a project company, Bai Yi Commercial, which is in the course of being developed as a residential and commercial complex with a total GFA of approximately 46,792 sq.m. The Li Yuan

Project is located in New & Hi-Tech Industrial Development Zone of Nanning and will become the Group's second property development project for residential and commercial complex. The Directors believe that the Li Yuan Project will further complement the Group's existing product offering range.

In 2007, Golden Yu Feng was accredited with ISO14001 and GB/T 24001 for, respectively, meeting environmental management standards of ISO and the Green Building Standards as applicable to management of the environment, and ISO9001 and GB/T 19001 for meeting the quality management standards as certified by China Quality Certification Centre (中國質量認證中心).

In December 2007, the Group began to provide leasing consultancy services at the International Kitchen Supplies Centre, the leasing project that carries a specific type of products with a common theme. The International Kitchen Supplies Centre is a shopping centre that the Group has designated for retailers selling kitchen supplies of different brands in the entire shopping mall. In 2008, the Group acted as the property rental agent of Guo Mou Centre, a shopping mall located in the city centre of Xingning District of Nanning, to assist Independent Third Party property owners to locate appropriate tenants.

The Group has also been awarded the Outstanding Contribution Award* (突出貢獻獎) and the Award of Advanced Unit* (先進單位) by the Committee of Xingning District of Nanning* (南寧市興寧區委) in 2009.

In 2009, the Group commenced the refurbishment of Yu Feng High Street, which was re-opened in December 2011, to refit a shopping centre with a new façade and spatial designs that turns the shopping centre into an entertainment complex. In June 2010, the Group commenced the refurbishment of an existing building called No. 10 West Street and converted it into an integrated mix-use building upon completion of refurbishment in March 2011.

As of the Latest Practicable Date, the project companies within the Group to carry out the property development business of the Group including Yu Feng Real Estate and WTS Real Estate have obtained formal qualification certificates. Bai Yi Commercial, which has undertaken the development of the Li Yuan Project of the Group, has obtained valid interim qualification certificate which expired on 27 October 2012 and has been renewed and extended to 27 October 2013. According to the Implementation Rules for Administration of Qualification of Real Estate Development in Guangxi Zhuang Autonomous Region* (廣西壯族自治區房地產開發企業資質管理實施細則), the validity period for the interim qualification certificate is one year and shall not be extended for more than two years. In case the extension is more than two years and there is property project under development while the enterprise fails to meet the qualification requirements of formal qualification certificate, such enterprise shall make application for the interim qualification certificate once again. Therefore, the PRC Legal Advisor is of the opinion that, when the current interim qualification certificate with the expiry date of 27 October 2013 expires, according to the current applicable PRC laws and regulations, (i) there is no legal impediment for Bai Yi Commercial to apply for the formal qualification certificate subject to the qualification requirements of the formal qualification certificate have been met; or (ii) in case Bai Yi Commercial fails to meet the qualification requirements of formal qualification certificate, there is no legal impediment for Bai Yi Commercial to obtain the interim qualification certificate once again subject to the qualification requirements of the interim qualification certificate being met continuously.

CORPORATE HISTORY

南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited)*

Yu Feng Real Estate is a company established in the PRC with limited liability on 27 July 1993 by two PRC joint venture partners and Leepark UK with a registered capital of RMB33,544,000 which was fully paid up. According to the Directors, this joint venture was originated from Dr Lee's desire to seek investment opportunities in the real estate industry in the PRC, and he became acquainted with Bai Yi Commercial by referral from certain of his business associates. At the time when it was set up, Yu Feng Real Estate was known as 南寧裕豐建築物業有限公司 (Nanning Yu Feng Building and Properties Company Limited*). The PRC partners at that time were Bai Yi Commercial and an Independent Third Party. The joint venture interests of Yu Feng Real Estate upon its establishment were held as to 40.5%, 39.5% and 20% by Leepark UK, Bai Yi Commercial and the said Independent Third Party respectively.

On 30 December 2002, Leepark UK and Bai Yi Commercial entered into the equity transfer agreement with the said Independent Third Party respectively in respect of acquiring the entire 20% interest held by the said Independent Third Party in Yu Feng Real Estate (as to 10.12% by Leepark UK and as to 9.88% by Bai Yi Commercial) at the consideration of approximately RMB4.45 million and RMB4.35 million respectively. The acquisition was completed on 2 July 2003 upon the issuance of the fresh business licence of Yu Feng Real Estate and Leepark UK's interest increased to 50.62% with the remaining 49.38% interest in Yu Feng Real Estate held by Bai Yi Commercial. On the same date, Yu Feng Real Estate changed its name to 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited*).

The Group's interest in Yu Feng Real Estate held through Leepark UK was held on trust under English law by Leepark UK for and on behalf of Ruby Properties during the period from December 2009 to May 2012. Leepark UK was incorporated in the United Kingdom with limited liability in 1989 for the principal purpose of carrying on property investment business in the United Kingdom. As at the Latest Practicable Date, Leepark UK did not carry on any principal business activities. Dr. Lee and Mrs. Lee are the current directors of Leepark UK, with a trustee of a discretionary trust (of which family members of Dr. Lee are the discretionary beneficiaries) as its registered shareholder. For the better promotion of Yu Feng Real Estate in the PRC as a sino-foreign equity joint venture with foreign element and concept in the design, development, operation and leasing of real estate projects, the Group's equity interest in Yu Feng Real Estate were, prior to the change of the registered owner thereof from Leepark UK to Ruby Properties as disclosed below, held by Leepark UK on trust for Dr. Lee upon its establishment in 1993 to December 2009 and subsequently held on trust for Ruby Properties since December 2009. The Company, having been advised by its UK legal advisor, has confirmed that the documents governing the overseas trust arrangements are legal, valid and enforceable on the parties thereto under English law. To rationalise the Group's corporate structure in preparation for the Listing, the Company took steps to terminate the trust arrangement through the transfer by Leepark UK of the 50.62% interest held on trust by it in Yu Feng Real Estate to Ruby Properties. The legal procedures of the transfer were completed upon issuance of the fresh business licence of Yu Feng Real Estate on 18 May 2012.

The Directors, after having consulted with the Company's UK tax advisors, have confirmed that the transfer of the legal holding by Leepark UK in Yu Feng Real Estate to the Group is not subject to UK tax. As advised by the PRC Legal Advisor, the overseas trust arrangement is not in violation of the PRC laws, rules and regulations and, there was and is no legal impediment under the PRC laws, whether for the Group, Dr. Lee or Ruby Properties, to directly hold the relevant equity interest in Yu Feng Real Estate.

Yu Feng Real Estate is the project company for the Group's first property development project, Yu Feng Plaza, initially a commercial complex located at the core zone in Xingning District of Nanning. Further information of Yu Feng Plaza is set out under the paragraph headed "Property development projects" in the section headed "Business" of this prospectus.

廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited)*

Bai Yi Commercial was a limited company established in the PRC on 9 September 1997 through the reorganisation and transformation in whole of a state-owned enterprise known as 南寧市飲食公司 (Nanning Food and Beverage Company*) ("**NFB**").

At the time of its establishment as a limited company, Bai Yi Commercial was held by (i) an investment vehicle under the auspice of the State (namely 南寧市商業國有資產投資經營公司 (Nanning City Commercial State-owned Assets Investment and Operation Company*) and transferred to 南寧沛寧資產經營有限責任公司 (Nanning Pei Ning Assets Operation Company Limited*) ("**NPN**") in 2001) and (ii) employees shareholding committee (職工持股會) ("**ESC**") (which then represented the interests of the employee shareholders of the NFB) by 75% and 25% respectively with a registered capital of RMB23,200,000 which was fully paid up.

In 2002, Bai Yi Commercial started the non-state-owned reorganisation in accordance with a reform proposal (the "**Reform Proposal**") for regulating and perfecting the corporate reorganisation of Bai Yi Commercial* (南寧百益實業有限責任公司完善規範公司制改革實施方案). The reorganisation contemplated under the Reform Proposal was effectively conducted by way of two main steps: (1) the appraisal of the then net asset value of Bai Yi Commercial to ascertain the new capital structure of Bai Yi Commercial; and (2) and the subscription by or allocation to a number of designated individuals or entities (who were the would-be subscribers of the new registered capital of Bai Yi Commercial) of such amount of the new registered capital of Bai Yi Commercial as stated in the Reform Proposal. The Reform Proposal was expressly endorsed by Nanning State-owned Assets Administration Commission* (南寧市國有資產管理委員會) (the "**SAAC**") in its approval (the "**SAAC Approval**") issued in December 2002.

To implement the reorganisation, Nanning City Finance Bureau* (南寧市財政局) had appointed an independent qualified valuer to perform a valuation of the then net asset value of Bai Yi Commercial as at 31 July 2002, which was appraised, adjusted and recognised as RMB23,405,500 (the "**Appraised NAV**"). With reference to the Appraised NAV, the amount of new registered capital of Bai Yi Commercial upon implementation of the reorganisation was determined as RMB23,408,000. According to the Reform Proposal, Bai Yi Commercial would have 15 shareholders upon implementation of the reorganisation and Leepark Business Service was among one of them. The new registered capital which would be allocated to or subscribed for by Leepark Business Service was stipulated as RMB3,511,200.

In January 2003, according to the Reform Proposal and the SAAC Approval, NPN and ESC approved the transfer of an aggregate of 15% equity interests in Bai Yi Commercial to Leepark Business Service at an aggregate consideration of RMB3,511,200 (which was equivalent to approximately 15% of the new registered capital of Bai Yi Commercial of RMB23,408,000 determined by reference to the valuation conducted by an independent qualified valuer as disclosed above), Leepark Business Service accordingly completed the acquisition of an aggregate of 15% equity interests in Bai Yi Commercial (the "**Initial Acquisition**") on 25 November 2003, following the issuance of the amended business licence of Bai Yi Commercial. At the same time, Bai Yi Commercial renamed to its existing name 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited*).

Given that:

(i) NPN was directly under the leadership of the SAAC and was responsible for the administration and value preservation and appreciation of state-owned assets whose operation is authorised by the SAAC;

(ii) the endorsement by SAAC of the Reform Proposal (which reflected the resultant percentage of shareholding and the capital contribution of Leepark Business Service in Bai Yi Commercial following the Initial Acquisition) in the SAAC Approval and the Initial Acquisition was completed only after an independent valuation on Bai Yi Commercial was conducted. This conformed to the requirements under the Notice on Strengthening Administration of State-owned Assets issued by the People's Government of Guangxi Zhuang Autonomous Region* (廣西壯族自治區人民政府關於加强國有資產管理工作的通知) implemented in September 1990 applicable within the Guangxi Zhuang Autonomous Region, which required that (a) approval from competent state-owned assets administration authority shall be obtained and (b) independent valuation should be conducted where the transfer involved the transfer of state-owned assets to non-state-owned entity or individual,

the PRC Legal Advisor is of the opinion that Leepark Business Service's 15% shareholding in Bai Yi Commercial was approved by SAAC and is in compliance with the then applicable PRC laws and regulations.

In August 2006, the Nanning Administration for Industry and Commerce* (南寧市工商行政管理局) ("**Nanning AIC**") granted a business license to Bai Yi Commercial to change its business scope to include property development and operation.

According to the Directors, it has always been one of the Group's tactics to take advantage of its competitive edge to acquire under-performed companies or businesses within the real estate industry in the PRC in order to increase the Group's market share in the industry in the PRC. The Directors consider that the co-establishment of Yu Feng Real Estate and Golden Yu Feng in 1993 and 2003 respectively by Leepark UK and Bai Yi Commercial led to the investment of the Group in Bai Yi Commercial. The Group considers that the acquisition of equity interests of Bai Yi Commercial (which owns certain plots of land in Nanning and the investment properties erected thereon have been generating steady and stable income) would offer upside potential for the Group's property portfolio, complement and create long-term value for the development of the businesses of the Group. With this objective in mind, the Group has targeted to increase its shareholding in Bai Yi Commercial as and when the opportunities arise.

The then property portfolio of Bai Yi Commercial at the time when the Group completed its initial acquisition of 15% equity interests in Bai Yi Commercial in 2003 comprised certain properties which, as at the Latest Practicable Date, (i) had either been refurbished and renovated by the Group (such as Yu Feng High Street); or (ii) would be undergoing reconstruction or redevelopment by the Group (such as Li Yuan Project); or (iii) had been surrendered by the Group at the request of the local PRC authority pursuant to resettlement arrangements by which the Group was allocated with resettlement properties (such as the retail and residential units in Xinan Shangdu and Lvdu Shangsha) as compensation; or (iv) had been expropriated by the PRC governmental authority and dismantled for redevelopment for which compensation was paid to the Group; or (v) were vacant or remained to be used for the purposes as they were since 2003. Please refer to the paragraph headed "Property portfolio held by Bai Yi Commercial as at the Latest Practicable Date" in this section below for details of the property interests held by the Group which were acquired as a result of its acquisition of equity interests in Bai Yi Commercial and remained to be held by the Group as at the Latest Practicable Date.

From 2005 to 2010, Leepark Business Service continued to acquire equity interests of Bai Yi Commercial from its then shareholders as follows:

— In 2005, Leepark Business Service entered into share transfer agreements with its then shareholders for the acquisition of approximately 38.02% equity interest in Bai Yi Commercial at an aggregate consideration of RMB17,955,097.00. Upon completion of such transfers, the equity interests in Bai Yi Commercial as held by Leepark Business Service increased from 15% to approximately 53.02%.

— In 2006, Leepark Business Service entered into share transfer agreements with its then shareholders for the acquisition of approximately 31.38% equity interest in Bai Yi Commercial at an aggregate consideration of RMB21,222,504.50. Upon completion of such transfers, the equity interests in Bai Yi Commercial as held by Leepark Business Service increased from approximately 53.02% to approximately 84.40%.

— In 2007 and 2008, Leepark Business Service entered into share transfer agreements with its then shareholders for the acquisition of approximately 3.02% equity interest in Bai Yi Commercial at an aggregate consideration of RMB786,435.00. Upon completion of such transfers, the equity interests in Bai Yi Commercial as held by Leepark Business Service increased from approximately 84.40% to approximately 87.42%.

— In 2009, Leepark Business Service entered into share transfer agreements with its then shareholders for the acquisition of approximately 0.06% equity interest in Bai Yi Commercial at an aggregate consideration of RMB36,612.50. Upon completion of such transfers, the equity interests in Bai Yi Commercial as held by Leepark Business Service increased from approximately 87.42% to approximately 87.48%.

— In 2010, Leepark Business Service entered into a share transfer agreement with its then shareholder for the acquisition of approximately 0.04% equity interest in Bai Yi Commercial at a consideration of RMB33,772.50. Upon Completion of such transfer, the equity interest in Bai Yi Commercial as held by Leepark Business Service increased from approximately 87.48% to approximately 87.52%.

The following table sets forth the consolidated net assets value of Bai Yi Commercial as at the relevant dates of contract of the various acquisitions by the Group:

Date of contract	**Unaudited consolidated net asset value of Bai Yi Commercial** *RMB'000* *(Note)*
18 September 2005	170,164
4 November 2005	174,607
25 November 2005	174,607
5 December 2005	177,607
12 December 2005	177,607
10 January 2006	178,917
13 January 2006	178,917
19 January 2006	178,917
20 January 2006	178,917
26 April 2006	178,159
25 May 2006	179,284
29 May 2006	179,284
31 May 2006	179,284
1 June 2006	181,428
2 June 2006	181,428
9 June 2006	181,428
12 June 2006	181,428
13 June 2006	181,428
14 June 2006	181,428
20 June 2006	181,428
27 June 2006	181,428
10 July 2006	179,726
7 September 2007	287,122
25 July 2008	353,762
7 August 2008	356,813
4 February 2009	312,391
8 May 2009	313,627
21 January 2010	305,405

Note:

The unaudited consolidated net asset value of Bai Yi Commercial at the time of acquisition was derived based on the unaudited consolidated financial statements of Bai Yi Commercial at calendar month end immediately before the date of acquisition. The material increase in the unaudited consolidated net asset value of Bai Yi Commercial for the relevant periods above, primarily due to the increase in fair value of the investment properties and the increase in investment in associates which resulted from the share of associates' results.

As at the Latest Practicable Date, Leepark Business Service acquired a total of 87.52% equity interest in Bai Yi Commercial.

As advised by the PRC Legal Advisor, according to the Interim Measures for the Management of the Transfer of the State-owned Assets or Equity Interests of Enterprise (企業國有產權轉讓管理暫行辦法) (the "**Interim Measures**"), independent valuation shall be conducted and the relevant net asset value shall be referred to as basis where the transfer involves the transfer of equity interests of state-owned enterprise. Given that Bai Yi Commercial was no longer a state-owned enterprise when Leepark Business Service acquired further equity interests in Bai Yi Commercial between 2005 and 2010, there were no mandatory requirements under the PRC laws and regulations that the consideration for any transfer of non-state-owned equity interests in an enterprise to be above its net asset value or approved by the State-owned Assets Administration Commission* (國有資產管理委員會). On the above basis, the PRC Legal Advisor is of the opinion that independent valuation is not required for such acquisitions and the relevant consideration may be determined through negotiation by both parties thereto, which may be lower than the then corresponding net asset value of Bai Yi Commercial. Accordingly, the consideration for each of the acquisitions by Leepark Business Service of the equity interests in Bai Yi Commercial could be freely negotiated, determined and agreed with the respective sellers, and registration of the transfer, when concluded, can then be made with the Nanning AIC.

The Group did not conduct any independent valuation on Bai Yi Commercial in connection with the acquisition of further equity interests in Bai Yi Commercial (the consideration of each acquisition was at a discount to the then corresponding net asset value of Bai Yi Commercial) between 2005 and 2010. The terms of the acquisitions were determined by the Group with the respective sellers after arm-length's negotiations and on normal commercial terms in the sense and on the basis that:

(i) the terms of each of the acquisitions were arrived at on a willing buyer-willing seller basis (in which each of parties had, presumably, acted knowledgeably, prudently and without compulsion);

(ii) the various commercial factors that the Group had taken into account when conducting the acquisitions were common commercial factors that a reasonable acquirer would normally consider in transactions of similar nature including but not limited to:

- the corresponding net asset value of Bai Yi Commercial (which was one of the factors but not the sole factor when the Group determined the consideration for each acquisition (as there was no regulatory requirement for the net asset value of Bai Yi Commercial to be independently assessed as disclosed above);

- the bargaining power of the Group and the relevant seller(s) at the material time;

- the eagerness of the relevant seller(s) to sell their respective equity interests in Bai Yi Commercial at the material time;

- being a private enterprise in the PRC after reorganization, there is no open market for the for the sale and purchase of equity interests in Bai Yi Commercial.

The fact that the equity interests in Bai Yi Commercial were relatively scattered among various minority shareholders (who are either retired employees, former employees or employees of the Group and were not sophisticated businessmen according to the Directors) had made it relatively difficult for them to find an exit and realize their equity interests in Bai Yi Commercial if and when they so wished. The Directors believe that the above factors provided much room to the Group for manoeuvre as far as negotiation of the terms for each acquisition (including the consideration) is concerned.

From the Group's perspective, the Directors are of the view that the Group would endeavour to get the best deal possible in each of the acquisitions for itself. The Directors consider the fact that the Group was able to strike better deals and had the consideration for each acquisition determined below the corresponding net asset value of Bai Yi Commercial conforms to the Group's business philosophy and strategies and are in the best interests of the Group.

The PRC Legal Advisor is of the opinion and the Sole Sponsor's PRC legal advisor concurs that save as the delay in registration within the prescribed time limit of certain acquisitions with Nanning AIC as disclosed in the sub-paragraph headed "filing of change in shareholding" under the paragraph headed "Legal and regulatory matters" in the section headed "Business" of this prospectus, the above acquisitions of equity interests in Bai Yi Commercial by Leepark Business Service were in full compliance with the then applicable PRC laws and regulations.

As at the Latest Practicable Date, the shareholding structure of Bai Yi Commercial was set out below:

Name of shareholder(s)	Category of shareholder	Total amount of registered capital	Approximate percentage of shareholding in Bai Yi Commercial	Existing or past relationship with the Company and its subsidiaries, directors, shareholders and their respective associates (if any)
Leepark Business Service	Corporate shareholder	20,486,301.50	87.52%	• Subsidiary of the Company • Shareholder of Bai Yi Commercial since 2003
Mr. He Hao (何好)	Individual shareholder	699,031.50	2.99%	• Deputy chairman of the board of Golden Yu Feng; • Currently holds or previously held managerial position in certain subsidiaries of the Group including Bai Yi Commercial, Golden Yu Feng, Yu Feng Real Estate and WTS Real Estate

Name of shareholder(s)	Category of shareholder	Total amount of registered capital	Approximate percentage of shareholding in Bai Yi Commercial	Existing or past relationship with the Company and its subsidiaries, directors, shareholders and their respective associates (if any)
Ms. Lei Yue Hua (雷月華)	Individual shareholder	785,066.00	3.35%	• Lessee of certain properties owned by Bai Yi Commercial during the period from November 2001 to August 2009
Ms. Yang Yan Fei (楊燕飛)	Shareholders' representative	863,601.00	3.69%	• Supervisor of WTS Real Estate since April 2008 • Employee of Bai Yi Commercial since 2004 • Shareholder of Bai Yi Commercial since 2008 who held certain equity interest of Bai Yi Commercial as trustee for 55 employee or ex-employee shareholders (including herself) of Bai Yi Commercial (see Note 1)
Ms. Li Yan Ping (李燕平)	Shareholders' representative	574,000.00	2.45%	• Employee of Bai Yi Commercial since its establishment to December 2005 • Shareholder of Bai Yi Commercial since 2006 who held certain equity interest of Bai Yi Commercial as trustee for 37 employee or ex-employee shareholders (including herself) of Bai Yi Commercial (See Note 2)
Total		23,408,000.00	100.00	

Note 1:

Details of the 55 employee or ex-employee shareholders whose equity interests in Bai Yi Commercial are held and represented by Ms Yang Yan Fei (楊燕飛) (as trustee) are set out below:

	Name of employees or ex-employee shareholders:	**Total amount of registered capital** *(RMB)*	**Existing or past relationship(s) with the Company and its subsidiaries, directors, shareholders and their respective associates (if any)** ***(Note 3)*****:**
1.	顏錦墀	20,582	Retired employee
2.	梁國媛	20,069	Retired employee
3.	譚桂玲	19,408	Retired employee
4.	莫鴻祥	18,964	Retired employee
5.	勞懷江	18,879	Retired employee
6.	韋雅星	18,330	Employee
7.	雷杰珍	17,456	Retired employee
8.	梁善幫	17,203	Employee
9.	盧漢娟	16,908	Retired employee
10.	盧長忠	16,600	Employee
11.	周明慧	16,387	Retired employee
12.	黃紅萍	16,387	Retired employee
13.	周玉娟	16,387	Retired employee
14.	鍾影文	15,670	Retired employee
15.	阮秀輝	14,600	Retired employee
16.	何美蘭	13,375	Employee
17.	李恒輝	12,881	Employee
18.	盛憲玲	12,881	Retired employee
19.	譚賜定	12,375	Employee
20.	陳如	12,375	Retired employee
21.	蒙麗娟	11,559	Retired employee
22.	蔣有貴	9,645	Employee
23.	譚美珍	18,063	Retired employee
24.	郭惠堅	21,675	Retired employee
25.	謝蓮妹	20,006	Retired employee
26.	黃家政	19,999	Employee
27.	王育英	19,999	Retired employee
28.	李敏榮	19,372	Employee
29.	陳金林	18,837	Retired employee
30.	黃汝環	18,273	Retired employee
31.	林宇儀	18,063	Employee
32.	黃剛	17,802	Employee
33.	羅煥啟	17,226	Retired employee
34.	麻衛忠	16,320	Retired employee
35.	黃群先	15,911	Retired employee
36.	譚論	14,120	Employee
37.	李潔貞	13,031	Retired employee
38.	陳建強	13,031	Employee
39.	黃麗蓮	19,999	Retired employee and employee of Golden Yu Feng

	Name of employees or ex-employee shareholders:	Total amount of registered capital *(RMB)*	Existing or past relationship(s) with the Company and its subsidiaries, directors, shareholders and their respective associates (if any) *(Note 3)*:
40.	陳聲賢	19,048	Retired employee
41.	梁群英	18,254	Retired employee and employee of WTS Real Estate
42.	顏杏仙	16,754	Retired employee
43.	傅麗珍	16,754	Retired employee
44.	陳美霞	16,754	Retired employee
45.	甘智勇	16,344	Employee
46.	梁智英	15,754	Retired employee
47.	李運康	15,600	Employee
48.	韋建華	15,021	Employee
49.	唐永基	14,875	Retired employee
50.	符城會	14,768	Employee
51.	嚴來鳳	13,177	Retired employee
52.	楊燕飛	11,850	Employee
53.	李杰	5,000	Employee
54.	林懋嫣	2,000	Former employee
55.	顏敏	1,000	Former employee
	Total	**863,601**	

Note 2:

Details of the 37 employee or ex-employee shareholders whose equity interests in Bai Yi Commercial are held and represented by Ms. Li Yan Ping (李燕平) (as trustee) are set out below:

	Name of employees or ex-employee shareholders:	Total amount of registered capital *(RMB)*	Existing or past relationship(s) with the Company and its subsidiaries, directors, shareholders and their respective associates (if any) *(Note 3)*:
1.	李燕平	10,000	Retired employee
2.	陳立陽	21,736	Retired employee who passed away in June 2006
3.	方秀娟	21,506	Retired employee
4.	雷木生	10,708	Retired employee
5.	鄧勝林	20,478	Retired employee
6.	盧家華	20,287	Retired employee
7.	黃柏衡	20,022	Retired employee
8.	李衛紅	19,999	Retired employee
9.	袁國衡	19,048	Retired employee
10.	李佩瑤	19,048	Retired employee
11.	龔祖揚	19,048	Retired employee
12.	梁德蓀	19,006	Retired employee
13.	秦在裘	18,964	Employee
14.	謝龍生	17,499	Employee
15.	酈英麟	17,414	Employee

	Name of employees or ex-employee shareholders:	Total amount of registered capital *(RMB)*	Existing or past relationship(s) with the Company and its subsidiaries, directors, shareholders and their respective associates (if any) *(Note 3)*:
16.	黃梅英	17,100	Retired employee
17.	莫青心	16,620	Retired employee
18.	黃雲珠	16,620	Retired employee
19.	何伯基	15,754	Employee
20.	黃建新	15,754	Employee
21.	樊桂平	15,754	Retired employee
22.	盧翠芳	15,754	Retired employee
23.	王以芬	15,171	Retired employee
24.	劉肖玲	14,875	Retired employee
25.	何桂英	14,768	Retired employee
26.	曾作壽	14,600	Former employee who passed away in February 2012
27.	梁露露	14,269	Employee
28.	周寧娟	14,120	Retired employee
29.	劉寶華	12,544	Retired employee
30.	羅冬杏	12,375	Retired employee
31.	唐俊嬌	12,375	Retired employee
32.	周隆興	11,769	Employee
33.	韋志堅	3,459	Employee
34.	鄧毅	9,519	Employee
35.	李慰卿	19,577	Retired employee
36.	馮淑明	14,460	Retired employee
37.	玉虹	2,000	Employee
	Total	**574,000**	

Note 3:

Except as otherwise specifically stated under the column, the term "employee" means employee of Bai Yi Commercial.

Property portfolio held by Bai Yi Commercial as at the Latest Practicable Date

Bai Yi Commercial is engaged in the property leasing and property development. During the Track Record Period, Bai Yi Commercial also engaged in the trading and retail businesses. Prior to the acquisition by the Group of the controlling interests in Bai Yi Commercial, Bai Yi Commercial had been engaging principally in property leasing business and carrying on, in a very small scale, food manufacturing business. To strengthen Bai Yi Commercial's overall competitiveness and financial performance, the Group then considered it more realistic and commercially sensible to take steps to rationalize its business direction by re-deploying more resources to the property leasing business of Bai Yi Commercial (which comparatively had higher growth potential) and gradually scaled down and ultimately discontinued its food manufacturing operation business in 2004.

On 11 September 2012, Bai Yi Commercial entered into an agreement for transfer and use of trade marks with Nanning International Patisserie Co., Ltd.* (南寧萬國食品有限公司) ("**NIP**") (an Independent Third Party) and the payees for NIP pursuant to which Bai Yi Commercial agreed to transfer three trade marks previously held by Bai Yi Commercial but were no longer in use due to the discontinuance of its food manufacturing business to NIP at the consideration of RMB455,000 (which was determined with reference to the appraised value of the three trade marks as at 30 June 2011 of RMB455,000 by an independent professional valuer) and grant the right to use the three trade marks by NIP at nil consideration pending completion of the legal formalities for the transfer. There were no transactions involving the disposal, sale, transfer or acquisition of business by Bai Yi Commercial for the discontinuance of its food manufacturing business.

Through its equity interests in Bai Yi Commercial, the Group became the owner of certain land reserves of properties held for investment purposes. These investment properties are mainly located in two districts, namely Xingning District and New & Hi-Tech Industrial Development Zone of Nanning. The following table sets forth the properties held by Bai Yi Commercial since the Group gained control over Bai Yi Commercial up to the Latest Practicable Date.

No.	Location	Particulars of occupancy	Corresponding property as set out in the property valuation contained in Appendix III to this prospectus (property number)	Remarks
1	Yu Feng High Street, front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	2	Refurbished, renovated and transformed into a shopping mall known as Yu Feng High Street
2	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	3	
3	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No.3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	4	

No.	Location	Particulars of occupancy	Corresponding property as set out in the property valuation contained in Appendix III to this prospectus (property number)	Remarks
4	No. 10 West Street, front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	5	Refurbished, renovated and transformed into a shopping mall known as No. 10 West Street
5	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	6	
6	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	7	
7	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	8	
8	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	9	
9	No. 99 and 99-1 Huaqiang Road; and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	10	
10	1/F of Block No.1 of No. 220-4 and No. 220-5; and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	11	

No.	Location	Particulars of occupancy	Corresponding property as set out in the property valuation contained in Appendix III to this prospectus (property number)	Remarks
11	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	12	
12	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	13	
13	Block Nos. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Vacant	14	
14	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Vacant	15	
15	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	16	
16	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752, and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	17	The buildings and erections previously on the site were dismantled for redevelopment and these are resettlement units assigned to the Group after redevelopment

No.	Location	Particulars of occupancy	Corresponding property as set out in the property valuation contained in Appendix III to this prospectus (property number)	Remarks
17	4 retail units of 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Rented out	18	The buildings and erections previously on the site were dismantled for redevelopment and these are resettlement units assigned to the Group after redevelopment
18	Li Yuan Project, No. 128 Daxue Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	Vacant	21	Construction site for Li Yuan Project
19	2 plots of allocation land for residential use, No. 14 Xixiangtang Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	Vacant	22	
20	2/F to 6/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Properties held for own use	23	

Further information of the Group's property leasing business are set out under the paragraph headed "Property leasing business" in the section headed "Business" of this prospectus.

南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Co., Limited)*

Golden Yu Feng was established in the PRC with limited liability on 4 August 2003. At the time of its establishment, the registered capital of Golden Yu Feng was RMB600,000 and was fully paid up and held as to 49.38% by Bai Yi Commercial and as to 50.62% by Leepark UK.

Upon issuance of the fresh business licence of Golden Yu Feng on 28 January 2011, the registered capital of Golden Yu Feng was increased by RMB2,400,000 to RMB3,000,000, which was solely contributed by and fully paid up by Leepark (Netherlands). After the increase in registered capital, Golden Yu Feng is held by Bai Yi Commercial, Leepark UK and Leepark (Netherlands) as to 9.875%, 10.125% and 80% respectively.

The Group's interest in Golden Yu Feng held through Leepark UK was held on trust under English law by Leepark UK for and on behalf of Ruby Properties during the period from December 2009 to March 2012. For the better promotion of Golden Yu Feng in the PRC as a sino-foreign equity joint venture with foreign elements and capacity to apply foreign concepts in the management and leasing of estate projects, the Group's equity interest in Golden Yu Feng were, prior to the change of the registered owner thereof from Leepark UK to Ruby Properties disclosed below, held by Leepark UK on trust for Dr. Lee upon its establishment in 2003 to December 2009 and subsequently held on trust for Ruby Properties since December 2009. The Company, having been advised by its UK legal advisor, has confirmed that the documents governing the overseas trust arrangements are legal, valid and enforceable on the parties thereto under English law. To rationalise the Group's corporate structure in preparation for the Listing, the Company took steps to terminate the trust arrangement through the transfer by Leepark UK of the 10.125% interest held on trust by it in Golden Yu Feng to Ruby Properties. The legal formalities of the transfer were completed upon issuance of the fresh business licence of Golden Yu Feng on 19 March 2012.

The Directors, after having consulted with the Company's UK tax advisors, have confirmed that the transfer of the legal holding by Leepark UK in Golden Yu Feng to the Group is not subject to UK tax. As advised by the PRC Legal Advisor, the overseas trust arrangement is not in violation of the PRC laws, rules and regulations and, there was and is no legal impediment under the PRC laws, whether for the Group, Dr. Lee or Ruby Properties, to directly hold the relevant equity interest in Golden Yu Feng.

Golden Yu Feng is currently engaged in the property management and property consultancy businesses. Initially, Golden Yu Feng engaged in property management of Yu Feng Plaza. In the ensuing years, Golden Yu Feng's role is to assume property management and property consultancy services businesses of the Group. Further information on the Group's property leasing businesses is set out under the paragraph headed "Property leasing business" in the section headed "Business" of this prospectus.

廣西南寧利柏商務服務有限公司 (Guangxi Nanning Leepark Business Service Company Limited)*

Leepark Business Service was established in the PRC with limited liability on 29 September 2003 with a registered capital of RMB800,000 which was fully paid up, and had remained unchanged since its establishment and up to the Latest Practicable Date.

Throughout the period from the date of its establishment and immediately prior to the Group first acquiring an interest in it, Leepark Business Service was held by shareholders who are Independent Third Parties, save for Mr. Cai Zi-Qi (蔡梓麒) and Ms. Zhong Jia-Ying (鍾家瑛) who were and are now directors of certain subsidiaries of the Group. According to the Directors, the Controlling Shareholder became acquainted with Leepark Business Service through referral by Mr. Cai Zi-Qi (蔡梓麒) and Ms. Zhong Jia-Ying (鍾家瑛).

The Group first acquired an interest in Leepark Business Service through Leepark Holdings, as to 95% from Mr. Cai Zi-Qi (蔡梓麒) and as to 5% from Ms. Zhong Jia-Ying (鍾家瑛) at the consideration of

RMB760,000 and RMB40,000 respectively, equivalent to the amount of registered capital that was transferred to the Group, and completed the acquisition on 19 October 2007 upon issuance of the fresh business licence of Leepark Business Service. The consideration paid by the Group for the acquisition was determined based on the amount of registered capital of Leepark Business Service.

As at the Latest Practicable Date, Leepark Business Service holds approximately 87.52% interest in Bai Yi Commercial.

南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited)*

WTS Real Estate is principally engaged in property development. WTS Real Estate was established in the PRC with limited liability on 3 August 2001 with a registered capital of RMB10,000,000 which was fully paid up, and the registered capital had remained unchanged since its establishment and up to the Latest Practicable Date.

Throughout the period from the date of its establishment and immediately prior to Yu Feng Real Estate acquiring the entire interest in it on 15 February 2007 upon the issuance of the fresh business licence, WTS Real Estate was held by shareholders who are Independent Third Parties.

On 28 March 2006, Yu Feng Real Estate entered into an equity transfer framework agreement for the acquisition of 100% equity interests in WTS Real Estate from two Independent Third Parties, both being the then shareholders of WTS Real Estate each holding 50% equity interest in WTS Real Estate, at a total consideration of RMB108,840,600 by parties' negotiation with reference to the valuation of WTS Real Estate based on an independent valuation conducted on 20 August 2006. The acquisition was implemented by three tranches as follows:

➢ In relation to the first tranche of 18.38%, the equity transfer agreement was signed on 18 April 2006 and was completed on 26 April 2006 upon the issuance of a fresh business licence of WTS Real Estate on the same date.

➢ In relation to the second tranche of 18.38%, the equity transfer agreement was signed on 18 May 2006 and was completed on 24 May 2006 upon the issuance of a fresh business licence of WTS Real Estate on the same date.

➢ In relation to the third tranche of 63.24%, the equity transfer agreement was signed on 16 January 2007 and was completed on 15 February 2007 upon the issuance of a fresh business licence of WTS Real Estate on the same date.

Upon the completion of the acquisitions, Yu Feng Real Estate held 100% interest in WTS Real Estate, of which 3% equity interests amounting to the original investment of RMB300,000 was held by a nominee, Mr. He Hao (何好), in trust for and on behalf of Yu Feng Real Estate. As advised by the PRC Legal Advisor, the trust arrangement of the Group's 3% interest in WTS Real Estate held through Mr. He Hao (何好) was legal, valid and not in violation of the PRC laws, rules and regulations.

Upon the issuance of the fresh business licence on 23 December 2010, the entire registered capital in WTS Real Estate became solely held by Yu Feng Real Estate upon completion of the transfer by Mr. He Hao (何好) to Yu Feng Real Estate, at nil consideration, of the 3% interest in WTS Real Estate that was held by him upon trust for Yu Feng Real Estate.

WTS Real Estate is the project company for Fond England, a residential property development located in the Fengling sub-district of Nanning. Further information of Fond England is set out under the paragraph headed "Property development projects" in the section headed "Business" of this prospectus.

Leepark Holdings Limited (利百控股有限公司)

Leepark Holdings was incorporated as a limited liability company in Hong Kong on 5 June 2006 and was beneficially owned by Dr. Lee, Mrs. Lee and Dr. Elaine Eick as to 40%, 40% and 20% respectively immediately prior to the acquisition of Leepark Holdings by Global Touch as part of the Reorganisation. Please refer to the sub-paragraph headed "Acquisition of Leepark Holdings by Global Touch" in the paragraph headed "Corporate reorganisation" of this section for further details of the transfer.

The principal activity of Leepark Holdings is investment holding.

New Merit Holdings Limited

New Merit was incorporated in the BVI on 25 November 2009 as a BVI business company with 50,000 authorised shares of US$1.00 each of which one share was allotted and issued to Dr. Lee on 23 December 2009.

On 31 December 2010 and as part of the Reorganisation, Global Touch acquired from Dr. Lee the entire issued share capital of New Merit in consideration of and in exchange for which Global Touch allotted and issued, credited as fully paid, an aggregate of 800 shares of US$1.00 each in its capital, at the direction of Dr. Lee, as to 320 shares to First Beijing, 320 shares to Ease Gain and 160 shares to Chosen Leader.

The principal activity of New Merit is investment holding.

Ruby Properties Limited

Ruby Properties was incorporated as a limited liability company in Hong Kong on 19 October 2009 with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. Upon its incorporation, one subscriber share was issued to the subscriber for cash at par. On 23 December 2009, such subscriber share was transferred to New Merit for cash at par and one share was allotted and issued to New Merit for cash at par on the same day.

On 29 December 2009, 198 ordinary shares in Ruby Properties were allotted and issued to New Merit which was then solely owned by Dr. Lee in consideration of and in exchange for the acquisition by Ruby Properties of the beneficial interest of Dr. Lee in Yu Feng Real Estate and Golden Yu Feng.

The principal activity of Ruby Properties is investment holding.

South West Eco Development Limited (the Company) (西南環保發展有限公司)

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 February 2011 and became the ultimate holding company of the subsidiaries now comprising the Group pursuant to the Reorganisation. Details of the Reorganisation are set out in the sub-paragraphs headed "Group reorganisation" in Appendix VI to this prospectus.

CORPORATE REORGANISATION

The Group underwent a reorganisation to rationalise the Group's structure in contemplation of the Listing and implemented the following major steps:

Incorporation of the Company

On 18 February 2011, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$200,000 divided into 2,000,000 shares having a par value of HK$0.10 each. Upon incorporation of the Company, one Share was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to First Beijing on the same day.

Incorporation of Global Touch

On 8 November 2010, Global Touch was incorporated in the BVI as a BVI business company with an authorised share capital of US$50,000 divided into 50,000 shares having a par value of US$1.00 each. On 10 December 2010, an aggregate of 100 shares of US$1.00 each in Global Touch were allotted and issued, at par, as to 40 shares to First Beijing, 40 shares to Ease Gain and 20 shares to Chosen Leader.

Transfer to Yu Feng Real Estate of the 3% registered capital of WTS Real Estate held by its trustee

On 13 December 2010, Mr. He Hao (何好) and Yu Feng Real Estate entered into an equity transfer agreement pursuant to which the 3% registered capital in WTS Real Estate in the sum of RMB300,000 held by Mr. He Hao (何好) on trust for Yu Feng Real Estate was transferred to Yu Feng Real Estate at nil consideration. Following completion of the transfer upon issuance of the fresh business licence of WTS Real Estate on 23 December 2010, the entire registered capital in WTS Real Estate has become solely held by Yu Feng Real Estate.

Disposal by Yu Feng Real Estate of Guiping Yu Feng

Guiping Yu Feng was established in the PRC on 24 July 2006 to engage in property development. Immediately prior to the disposal as disclosed below, the registered and fully paid-up capital of Guiping Yu Feng was RMB8,000,000 and was held as to 40% by Yu Feng Real Estate and 40% and 20% by two PRC nationals, Mr. Liu Yuan Qiang (劉元強) and Mr. Huang Li Shan (黃立山) respectively, who are Independent Third Parties.

During the Track Record Period, the business of Guiping Yu Feng constituted an insignificant portion of the Group's operation. For the year ended 31 December 2010, the net loss before tax of Guiping Yu Feng attributable to the Group was HK$51,000.

On 30 December 2010, Yu Feng Real Estate entered into a share transfer agreement with Mr. Liu Yuan Qiang (劉元強), Mr. Huang Li Shan (黃立山) and Mr. Pan Guo Jian (潘國健), each an Independent Third Party, pursuant to which Yu Feng Real Estate disposed of its entire 40% equity interest (as to 11% to Mr. Liu Yuan Qiang (劉元強) and 29% to Mr. Pan Guo Jian (潘國健)) and Mr. Huang Li Shan (黃立山) disposed of his entire 20% equity interest to Mr. Pan Guo Jian (潘國健) in the registered capital of Guiping Yu Feng at a total consideration of approximately RMB4.2 million (as to approximately RMB2.8 million payable to Yu Feng Real Estate and as to approximately RMB1.4 million payable to Mr. Huang Li Shan (黃立山)) (which was determined by reference to the adjusted net asset value of Guiping Yu Feng as at 15 December 2010).

The fresh business licence of Guiping Yu Feng was issued on 30 January 2011.

Increase in authorised share capital of, and allotment of shares in, Leepark Holdings

On 16 December 2010, the authorised share capital of Leepark Holdings was increased from HK$10,000 to HK$1,000,000 by the creation of 990,000 shares of HK$1.00 each. On the same day, the newly created 990,000 shares of HK$1.00 each were allotted and issued to Global Touch for cash at par.

Increase in total investment and registered capital of Golden Yu Feng

On 28 January 2011, the total investment and registered capital of Golden Yu Feng was increased from RMB600,000 (which was then held as to 49.38% by Bai Yi Commercial and 50.62% by Leepark UK) to RMB3 million. The additional registered capital of RMB2.4 million was contributed in full by Leepark (Netherlands) on 10 January 2011, a company incorporated in Hong Kong and then owned by Dr. Lee, Mrs. Lee and Dr. Elaine Eick as to 40%, 40% and 20% respectively. Following such contributions and upon issuance of the fresh business licence of Golden Yu Feng on 28 January 2011, Golden Yu Feng has become held by Leepark (Netherlands), Bai Yi Commercial and Leepark UK as to 80%, 9.875% and 10.125% respectively.

Acquisition of Leepark Holdings by Global Touch

On 31 December 2010, Global Touch acquired from Dr. Lee, Mrs. Lee and Dr. Elaine Eick 4,000 shares, 4,000 shares and 2,000 shares respectively of HK$1.00 each in the issued share capital of Leepark Holdings, in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,200 shares of US$1.00 each in its capital, as to 480 shares to First Beijing (at the direction of Dr. Lee), 480 shares to Ease Gain (at the direction of Mrs. Lee) and 240 shares to Chosen Leader (at the direction of Dr. Elaine Eick).

Acquisition of New Merit by Global Touch

On 31 December 2010, Global Touch acquired from Dr. Lee the entire issued share capital of New Merit in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 800 shares of US$1.00 each in its capital as to 320 shares to First Beijing, as to 320 shares to Ease Gain and as to 160 shares to Chosen Leader (all at the direction of Dr. Lee).

Acquisition of Leepark (Netherlands) by Global Touch

On 11 February 2011, Global Touch acquired from Dr. Lee, Mrs. Lee and Dr. Elaine Eick 4,000 shares, 4,000 shares and 2,000 shares of HK$1.00 each in, representing 100% of the then entire issued share capital of Leepark (Netherlands) in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,000 shares of US$1.00 each in its capital, as to 400 shares to First Beijing (at the direction of Dr. Lee), 400 shares to Ease Gain (at the direction of Mrs. Lee) and 200 shares to Chosen Leader (at the direction of Dr. Elaine Eick).

Transfer to Ruby Properties of the equity interests in Golden Yu Feng and Yu Feng Real Estate held by its nominee

On 5 September 2011, Ruby Properties and Leepark UK entered into two equity transfer agreements pursuant to which (i) the 10.125% equity interest in Golden Yu Feng and (ii) the 50.62% equity interest in Yu Feng Real Estate held by Leepark UK upon trust for Ruby Properties were transferred by Leepark UK to Ruby Properties at nil consideration. The respective legal formalities for the transfers were completed upon issuance of the fresh business licence of Golden Yu Feng on 19 March 2012 and that of Yu Feng Real Estate on 18 May 2012.

Novation of debt to Global Touch and capitalisation of the debt

On 23 November 2012, pursuant to a deed of novation entered into between (i) Leepark Holdings and Leepark (Netherlands) as original debtors, (ii) Global Touch as new debtor and (iii) Mrs. Lee as creditor, the debt previously owed from Leepark Holdings and Leepark (Netherlands) to Mrs. Lee (represented interest-free director's loan made by Mrs. Lee) in the total amount of approximately HK$7.47 million was novated to Global Touch.

Following the novation, Global Touch became indebted to Mrs. Lee the debt, which debt was subsequently fully settled and capitalised by the allotment and issue of an aggregate of 6,900 shares of US$1.00 each in Global Touch, credited as fully paid, at the request and by the direction of Mrs. Lee, as to 2,760 shares to First Beijing, 2,760 shares to Ease Gain and 1,380 shares to Chosen Leader.

Increase in authorised share capital of the Company

On 23 November 2012, the authorised share capital of the Company was increased from HK$200,000 to HK$100,000,000 by the creation of 998,000,000 new Shares.

Acquisition of Global Touch by the Company

On 23 November 2012, pursuant to a share swap agreement entered into among the Company, First Beijing, Ease Gain and Chosen Leader, First Beijing, Ease Gain and Chosen Leader transferred an aggregate of 10,000 shares of US$1.00 each (as to 4,000 shares from First Beijing, 4,000 shares from Ease Gain and 2,000 shares from Chosen Leader) in, being the entire issued share capital of, Global

Touch in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 99,999,999 new Shares, as to 39,999,999 Shares to First Beijing, 40,000,000 Shares to Ease Gain and 20,000,000 Shares to Chosen Leader and (ii) credited as fully paid at par the one nil-paid Share then held and owned by First Beijing.

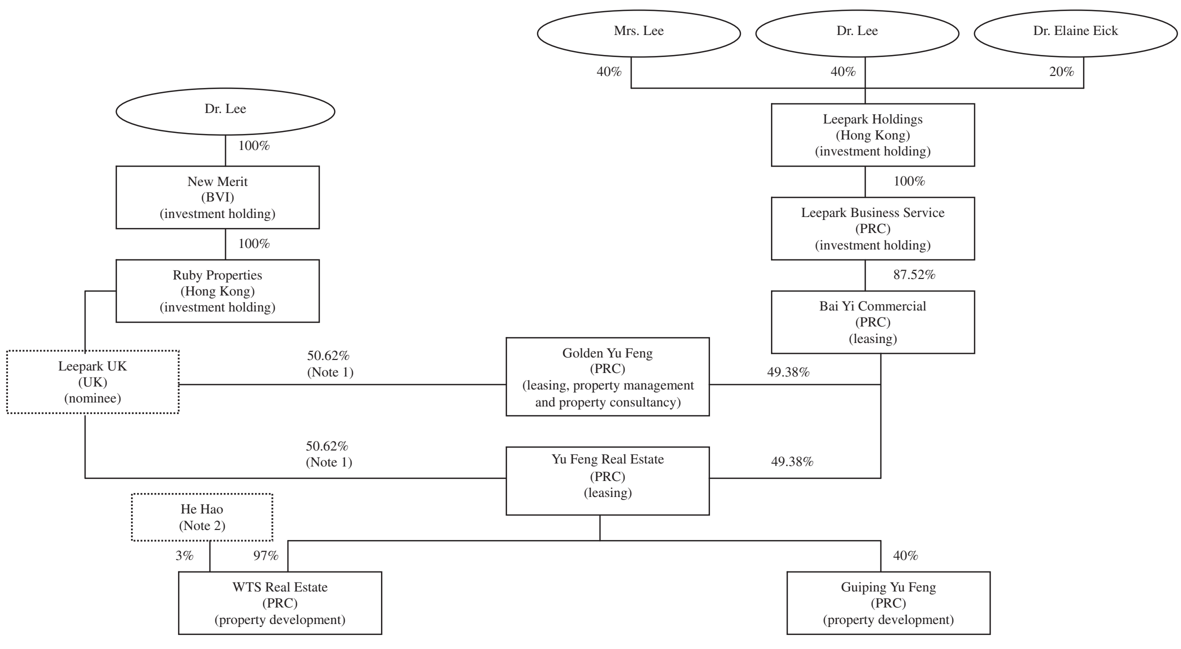
Following the acquisition, the Company held the entire interest in Global Touch and became the ultimate holding company of the Group.

Capitalisation Issue

Conditional upon the share premium account of the Company being credited as a result of the Placing, the Directors are authorised to capitalise a sum of HK$12,500,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 125,000,000 Shares for allotment and issue to the then shareholders of the Company as at 23 November 2012 in proportion to their then respective shareholdings in the Company.

CORPORATE STRUCTURE

The shareholding and corporate structure, place of incorporation/establishment and principal activities of the Group immediately prior to the implementation of the Reorganisation (the particulars of which are described under the sub-paragraph headed "Group reorganisation" in Appendix VI to this prospectus) are set out below.

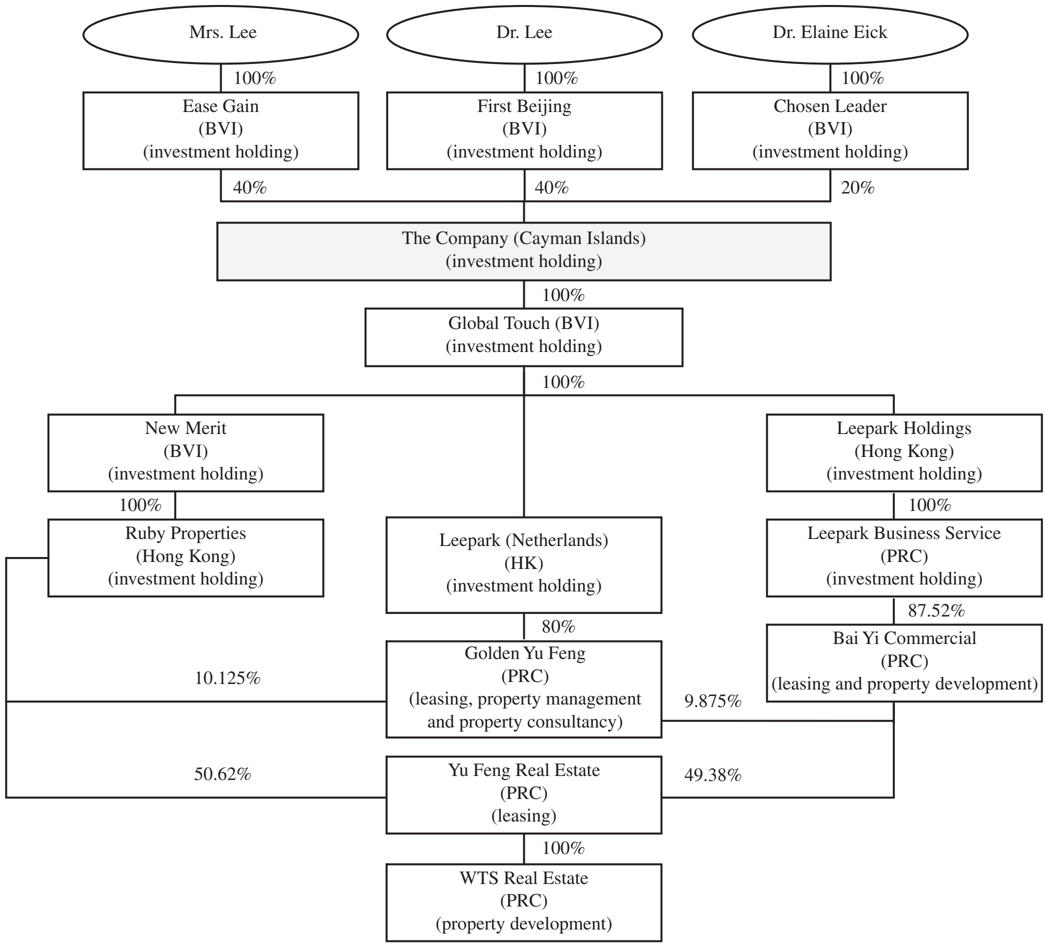


Notes:

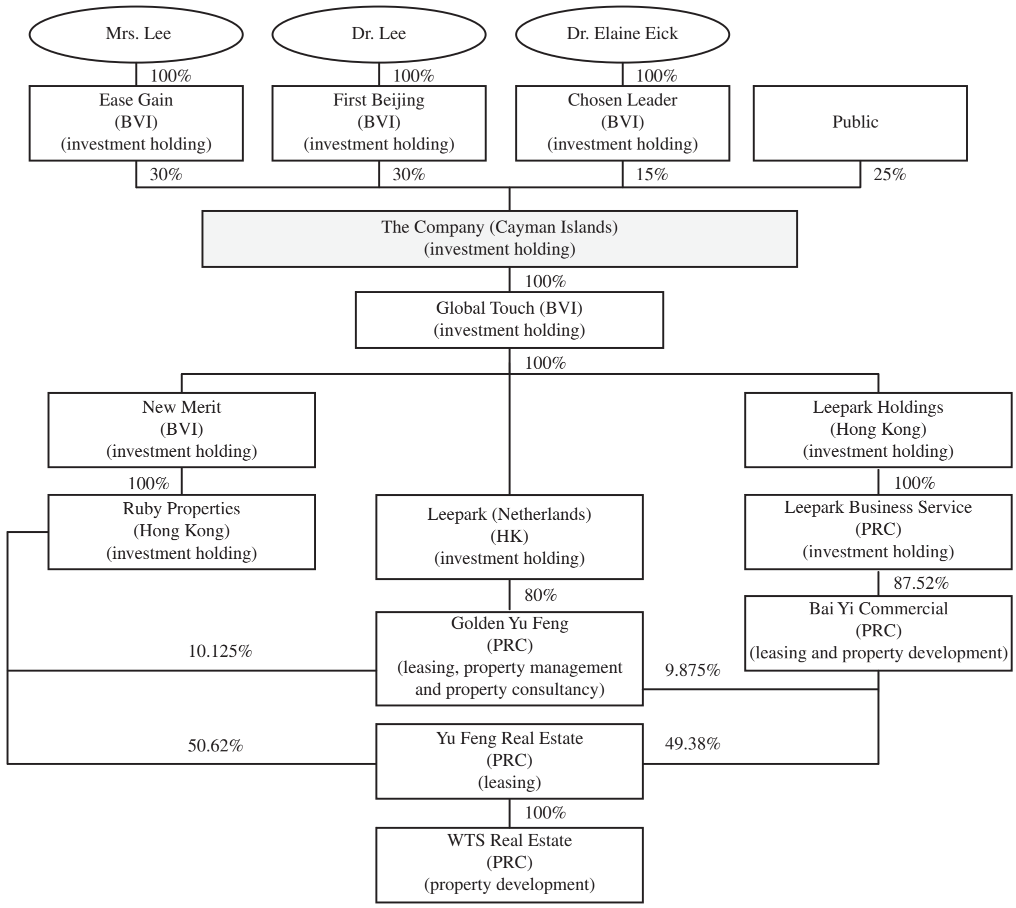
1. The 50.62% interest of Ruby Properties in each of Golden Yu Feng and Yu Feng Real Estate was held by and registered in the name of its nominee, Leepark UK, upon trust for Ruby Properties.

2. The registered shareholders of WTS Real Estate are Mr. He Hao and Yu Feng Real Estate respectively. Mr. He Hao is holding the 3% interest in WTS Real Estate upon trust for Yu Feng Real Estate.

The shareholding and corporate structure, place of incorporation/establishment and principal business activities of the Group immediately after completion of the Reorganisation but prior to completion of the Capitalisation Issue and the Placing are set out below:



The shareholding and corporate structure, place of incorporation/establishment and principal business activities of the Group immediately after completion of the Capitalisation Issue and the Placing (assuming that the Offer Size Adjustment Option and the options granted under the Share Option Scheme are not exercised) are set out below:



OVERVIEW

The Group is an award winning green building property developer in the city of Nanning, Guangxi and an ISO 14001 and ISO 9001 certified property manager. Founded in 1993, the Group has approximately 9 years of experience in managing properties in numerous locations within Nanning and more than 19 years of experience in leasing and developing properties.

One of the major business of the Group is property development business. Since 2007, the Group has committed to carry on its property development business in Nanning with an aim to develop environmental-friendly buildings with a focus on environmental protection and energy preservation. In 2007, by applying certain green technologies in the development of Phase 1 of Fond England, including computer simulation in the design of the properties to optimise ventilation and lighting, the employment of building materials that are proven to maximise insulation, relying on solar energy to power outdoor lightings etc. The Group was able to meet with the Green Building Standards, which are national standards enacted by the MOHURD in 2006 that set the PRC standards for energy conservation and environment protection policies, prescribing the criteria for a "green building". Moreover, Phase 1 of Fond England was judged by MOHURD to have met the Technical Standards for PARB, being the primary evaluation criteria in China for measuring material, energy, land, and water conservation in the construction of residential buildings and the overall performance of the project in terms of resource preservation. The Technical Standards for PARB are intended to set performance guidelines for developers in the development of residential projects. The Group's success in achieving the environmental preservation standards as set out in the Green Building Standards and the Technical Standards for PARB has awarded Phase 1 of Fond England to earn the appellation of a PRC green building.

Upon the completion of the development of Phase 1 of Fond England, as a continuation of the Group's commitment to set a role model in the industry in Nanning for environmental-friendly corporate practices and building management, the Group developed an extensive checklist of practices to meet with standardised environmental management criteria, focusing on waste management and resource conservation. The Group has set up procedures for collecting recyclable wastes, regulating power usages of equipment to conserve energy, properly maintaining workplace equipment such as air conditioners, lighting, electrical wiring, elevators, and water piping to ensure consistent level of energy usage. The Group was also awarded in 2007 the ISO 14001 certification and the PRC's national equivalent standards of GB/T 24001 certification, being achievements for meeting standards that were codified as universal standards by the international body of the ISO and the China Quality Certification Centre (中國質量認證中心) respectively for environmental-friendly building management practices. These certifications and awards established the Group's credibility as a property developer that is committed and that has the skills and resources to apply green technologies and environmental-friendly building management practices to contribute towards the development of a green environment in the city of Nanning. It is the Group's business development objective to apply the green technologies to its future development projects and to achieve the strategic target of having its development projects to meet with the PRC Green Building Standards and be identified as Green Buildings.

As part of its greening drive, the Group has introduced an environment management system to minimise the use of energy and water and to improve the efficiency of waste disposal in Fond England. The Group has demonstrated its ability to meet with the international environment management standards that are set out by the ISO. In 2007, the Group was awarded the ISO 9001 certification and the PRC equivalence, GB/T 19001 for achieving the quality management standards as certified by China Quality Certification Centre.

As at the Latest Practicable Date, the Group has become the owner of investment properties located in Nanning and Hong Kong with an aggregate GFA of approximately 26,520 sq.m., in which the Group obtained approximately 18,249 sq.m. through obtaining the majority controlling interests in Bai Yi Commercial, one of the major operating subsidiaries of the Group. The investment properties owned by the Group comprise retail outlets, shopping centres, and commercial and residential buildings. The Group generates regular income from leasing and managing the investment properties that it owns, as well as from sub-leasing and managing properties owned by Independent Third Party property owners. In order to enhance the brand image of properties leased, sub-leased and managed by the Group which may increase the rental value of such properties, the Group has employed the approach of establishing a unified brand image for each property and the surrounding site by defining a suitable image and determining an appropriate market position for the property and the site. Once the brand image and market position for the property and the site have been defined and determined, the Group would identify appropriate tenants for the sites, organise collective brand promotion campaigns, or hold entertainment and cultural events with the view of creating unique brand images and generating business for the sites. The Directors are of the view that a property with a brand image would help to attract good flow of target customers to the property, which in turn would help tenants of the property in doing more business.

In addition to the property development and property leasing business, the Group would also provide Independent Third Party property owners or permitted users with consultation on sub-leasing or management of their properties. The Group would offer consultancy services in terms of determining the market positioning of each property or of each level or units within the property, developing featured theme shopping malls, and/or identifying prospective tenants and subsequently selecting appropriate tenants. The marketing personnel of the Group is responsible for formulating marketing strategies for the rental properties, conducting researches to understand the rental market in each area, identifying potential tenants, negotiating with tenants and advising on the rental rates for properties.

The Group conducts its business principally in Nanning, a city with the geographical advantage of locating in a junction where three economic zones converge — the China-ASEAN zone, a trading zone that covers China's trading activities with ASEAN neighbours; the Pan-Pearl River Delta Economic Region that links Guangxi with the Guangdong province, Hong Kong and Macau; and the Greater South-West Economic Region that stretches from Guangxi in the southern coastal area to the Indo-China Peninsular in the west. Nanning is one of the major cities in Guangxi province and has grown in importance.

The Group also established "Lee Kai-Hung Green Building Scholarship" in October 2008, with the objective of educating the younger generation of Nanning on the importance of environmental preservation, energy saving, and other such "green" issues. The scholarship is offered by the Group and managed jointly by Yu Feng Real Estate and Nanning Education Fund* (南寧市教育基金會), an independent charitable organisation founded by Nanning Education Bureau* (南寧市教育局) in the city of Nanning which is not otherwise associated with the Group.

COMPETITIVE STRENGTHS

Value-added leasing strategies that strengthen the rental value of leasing properties.

The Group's practice of creating featured theme for its leased properties provides a platform for its tenants to adopt the unified brand image of the shopping centres managed by the Group. This strategy helps the Group to maintain the current occupancy level of leasing properties with stable cash flows.

Strategic locations of investment properties.

The Group's portfolio of investment properties is located at different areas in the city of Nanning. Some of the locations are one of the commercial and tourist centres of Nanning. Should there be any suitable opportunity, the Group would convert older retail outlets into shopping malls and plazas to meet with Nanning's plans of creating a tourist and commercial hub in the city centre.

Proven skills and know-how in green building technology.

In the development of Fond England, the Group has demonstrated its commitment and the ability and skills in applying green technologies in order to meet with the Green Building Standards. The successful application of the green technologies in the development of Fond England has won the Group awards and accolades and a reputation as an environmentally friendly property developer.

Opportunities for property development.

While not all of the properties can be readily converted into large-scale development projects (大型樓盤), the Group would study the development viability of the sites, identify development opportunities in different parts of the city of Nanning, and carry out green environment development and urban renewal projects where appropriate. The Directors are of the opinion that properties at the relevant sites with a total planned GFA of approximately 7,915 sq.m. can be converted into large-scale buildings. As at the Latest Practicable Date, the Group owned two potential available sites (currently held as investment properties), i.e. Yu Feng High Street with approximately 6,774 sq.m. and No. 80-1 Changgang Road, Xingning District with approximately 1,141 sq.m. The land use rights of these sites were granted for commercial or industrial use. The Group has obtained all the relevant title certificates of two sites.

Strong brand image as a reputable shopping mall operator and property manager.

The Directors consider that the Group has nurtured its brand of Bai Yi Commercial and Golden Yu Feng as quality shopping mall operator and property manager. Through its long years of leasing and managing properties in Nanning, the Group has developed long term relationship with many of its tenants/customers which will serve as one of the source of tenants for the Group when expanding into new property leasing and management projects.

Vertically integrated business model in generating income from property development, property leasing and property management.

The Group's primary objective for its property development business is to maximise return on its investment. In line with such objective, the Group would consider selling completed units and/or retaining ownership of some units for leasing and management purposes depending on the various factors, including but not limited to, location of property, rental rates, supporting infrastructures which is demonstrated in the Group's development of Yu Feng Plaza. As Yu Feng Plaza is located at the core commercial zone of Xingning District which is a well developed area readily accessible by public transportation, the Group has retained the commercial areas of Yu Feng Plaza as its investment properties in order to generate rental income and possible appreciation of fair value. The Directors are of the view that retaining these commercial properties provide the best means to maximising the Group's returns. By contrast, while the Group has initially retained some units of Fond England as investment properties, taking into account that the transportation infrastructure in the vicinity of Fond England in the Fengling sub-district was still under development as at the Latest Practicable Date, the Group currently intends to dispose of these commercial units at the right prices when appropriate.

Generally speaking, the Group's business segments of property development, property leasing and property management form a vertically integrated business model as the Group has generated income from selling properties that it has developed, attracted tenants to the units that have not been sold, and generated management fee income from managing the developed properties. This model is fully demonstrated after the development of Yu Feng Plaza which was originally developed in 1994. After re-developing Yu Feng Plaza in 2005, the Group sold some of the units, generated rental income from leasing and sub-leasing properties, and managed the entire Yu Feng Plaza.

The Directors believe that this strategic business model enables the Group to continue to generate regular and recurring income after completing the development of properties.

Experienced management team.

Headed by the chairman, Dr. Lee, the Group's senior management team has been involved in the business of property development, property investment, and property management for a number of years as at the Latest Practicable Date.

Mr. He Hao, Ms. Zhong Jia-Ying and Mr. He Jia-Quan, members of the senior management team, have joined Bai Yi Commercial for over 20 years. The experience of the Group's management team in managing and developing properties, together with their knowledge of the property market of Nanning and the preferences of the Nanning population, enables the Group to develop quality properties, manage properties, keep apprised of expectations of the local population, and make strategic development plans that will further strengthen the Group's image as a value-added property developer.

STRATEGIC PLANS OF THE GROUP

The Group's long term business objectives and strategic direction are to promote Yu Feng and Golden Yu Feng as the brands of a quality property leasing operator and manager in the city of Nanning. With Nanning embarking on urban renewal drives, the Directors are of the view that its reputation as a capable and value-added property management company will enable it to enhance the value of its properties and to attract interests in its development projects and leasing and managed properties.

Throughout the years of managing its own commercial properties and those owned by Independent Third Parties, the Group has developed an experienced property management and consultancy team which is considered by the Directors to have provided a strong foundation for the Group in managing properties in an orderly manner and providing value-added consultancy services to its tenants and clients. The Group will continue to promote its image as a quality property leasing operator and manager with a broad range of issues including participating in the development of new commercial properties, consulting on the design of shopping centres, developing and managing broad image of different properties, maintaining databases of potential lessees, vendors and service providers, and establishing good relations with government authorities in property leasing matters.

The main focus of the Group's strategic direction is to leverage on the skills, know-how, and reputation in managing commercial properties, especially the shopping centre, to improve its own investment property portfolio and to outperform other third-party developers. The Group intends to continue its current act to re-develop, upgrade, or refit its shopping malls, commercial or residential buildings in order to enhance the value of the properties or to improve the premiums that it may charge on leasing or managing the properties.

It is the Group's intention to focus its property leasing and management business in Nanning. In respect of any potential property management or leasing project, the Group will assess the project by conducting a detailed marketing research and conducting feasibility studies of the project in terms of the location and the value of return. The Group would also consider to invest in the leasing project with reference to various factors, including but not limited to, location of property, rental rates and supporting infrastructures.

For its property development business, the Group would set a required rate of return subject to the then market and economic environment of the PRC, in particular that of Nanning and apply the required rate of return to determine if a property development project should be undertaken by the Group. In general, the Group does not set any criteria for the size of the site area for property development within the city of Nanning. However, where the Group comes across sites outside the urban boundaries of Nanning, it is the current intention of the Directors that the site areas should be of not less than 6,667 sq.m. (10 mu), being the threshold for projects that the Group believes may generate appropriate returns. It is also the Group's objective to continue to update its knowledge base of applying the latest available green building technologies to improve energy efficiency of its buildings, preserve resources, reduce waste, and maintain a green environment for suitable projects.

The Group intends to expand/replenish its land reserves for new property development when there are suitable business opportunities and internal and/or external funds available to the Group in order to sustain its growth and execute its business expansion plan when suitable land reserves are available at reasonable cost. In order to implement its land acquisition exercise, the Group will acquire land through (i) acquisitions of controlling equity interests in companies that hold land use right certificates, (ii) acquisition of land through land bidding, and/or (iii) acquiring the land(s) directly from the owner(s).

The Group requires substantial capital resources to fund its capital intensive business. Prior to the commencement of each development project, the Group would prepare a capital expenditure budget to determine the estimated capital requirement of each project. According to the Directors, as at the

Latest Practicable Date, the Group's additional capital expenditure budget for 2012 and 2013 to complete Phases 2 and 3 of Fond England is expected to be approximately HK$71.6 million, amounted to approximately HK$56.5 million and HK$15.1 million respectively. The Group expects to use its internal funds and the proceeds from sales and pre-sales of Fond England to fund the remaining unpaid development costs of Phase 2 and Phase 3 of Fond England. As at the Latest Practicable Date, the Group's additional capital expenditure budget to complete the Li Yuan Project was expected to be approximately HK$204.8 million over the next three years, amounted to approximately HK$8.2 million, HK$96.9 million and HK$99.7 million for the years ending 31 December 2012, 2013 and 2014 respectively. While the austerity measures imposed by the PRC Government coupled with a weak lending market might pose challenges for financing the Group's property development business, the Directors are of the view that the Group could cope with the situation through internal and other external means of financing. The Group expects to use the pre-sales proceeds of the Li Yuan Project, debt financing, and the Group's internal funding to finance the Li Yuan Project.

PROPERTY DEVELOPMENT BUSINESS

Overview of the Group's property projects

As of the Latest Practicable Date, the Group had a total of three development property projects in Nanning at different development stages. These projects are classified as follows:

➢ Completed property projects — being projects the Group has completed the construction and obtained all approvals, permits and certificates issued by the relevant government authorities; and

➢ Properties under development — being properties for which the Group has received land use right certificates and the Construction Works Commencement Permits but has not yet obtained the certificates of completion issued by the relevant government authorities.

The table below sets forth the classification of the Group's property projects and the corresponding classification of these property projects in the property valuation contained in Appendix III to this prospectus:

Classification of the Group's property projects	Disclosure in this prospectus	Property valuation contained in Appendix III to this prospectus
Property projects of which the Group has obtained the Completed Construction Works Certified Report	Completed property projects	Property held and occupied, held for sale
Property projects of which the Group has obtained the Construction Works Commencement Permits but have not yet received the Completed Construction Works Certified Report	Property projects under development	Property held under development

Site area calculation

The site area information for the property projects is based on any of the relevant land use right certificates, land grant contracts or tender documents, depending on the documents that are available.

GFA calculation

For the purpose of this prospectus, saleable GFA figures are derived from permits or reports issued by the relevant government authorities at various stages of a property project as follows:

— where the Group has obtained the property ownership certificates for the projects, the saleable GFA information refers to the saleable GFA in the property ownership certificates;

— where the Group has not obtained the property ownership certificates but has obtained the Construction Works Commencement Permits, the saleable GFA information in respect of these projects refers to the total GFA in such Construction Works Commencement Permits;

— where the Group has not yet obtained the Construction Works Commencement Permits but has obtained the Construction Works Planning Permits for the projects, the saleable GFA information in respect of these projects refers to the total GFA in such Construction Works Planning Permits;

— where the Group has not obtained the Construction Works Planning Permits, but has received the land use right certificates for the projects, the saleable GFA information in respect of these projects refers to the estimated total GFA as derived from the plot ratio stated in such land use rights certificates;

— where the Group has not obtained the land use rights certificates, but has signed the land grant contracts, the saleable GFA information in respect of these projects refers to the estimated total GFA as derived from the plot ratio stated in such land grant contracts.

Completed property projects

The Group had completed the development of the following property projects. For the purpose of the following table, the unsold units are classified as completed property projects and any completed properties that have been sold and delivered to the buyers will not be included in the property valuation contained in Appendix III to this prospectus.

Project	Type	Date of commencement of construction	Date of completion of construction	Attributable interest to the Group	Total site area as at the Latest Practicable Date	Total saleable GFA as at the Latest Practicable Date	Total rentable GFA held as investment as at the Latest Practicable Date	Total GFA sold as at the Latest Practicable Date	GFA pre-sold as at the Latest Practicable Date	Total GFA unsold as at the Latest Practicable Date	Average selling price per sq.m. for property sold and delivered: for the year ended 31 December 2010	Average selling price per sq.m. for property sold and delivered: for the year ended 31 December 2011	Average selling price per sq.m. for property sold and delivered: for the six months ended 30 June 2012	Average selling price per sq.m. for property sold and delivered: from 1 July 2012 up to the Latest Practicable Date	Sales contribution: for the year ended 31 December 2010	Sales contribution: for the year ended 31 December 2011	Sales contribution: for the six months ended 30 June 2011	Sales contribution: for the six months ended 30 June 2012	Corresponding property as set out in the property valuation contained in Appendix III to this prospectus (property number)
				(%)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	
Yu Feng Plaza (裕豐商廈)	Residential and commercial	29 December 2005 *(Note 2)*	26 November 2007	93.84	2,889	39,274	8,223	31,051	—	—	—	—	—	—	—	—	—	—	1
Fond England (Phase 1) 裕豐•英倫 (第一期)	Residential, commercial and carparks	3 November 2007	19 December 2009	93.84	24,135	68,113	—	63,378	768	3,967	5,700	7,030	7,435	21,734	105.5	20.3	9.0	2.8	19
Fond England (Phase 2 Blocks 1, 8, 9, 11) and carparks 裕豐•英倫 (第二期 1、8、9、11號樓及車庫) *(Note 1)*	Residential and carparks	17 November 2008	20 June 2012	93.84	2,609 *(Note 3)*	61,017	—	51,142	2,540	7,335	—	9,690	7,660	10,492	—	245	—	105	19
Fond England (Phase 3) 裕豐•英倫 (第三期)	Residential	1 March 2010	20 August 2012	93.84	12,718	12,061	—	6,660	3,031	2,370	—	—	11,912	12,014	—	—	—	25.2	19
Total					42,351	180,465	8,223	152,231	6,339	13,672									

Notes:

1 The average selling price for property sold and delivered of Blocks 1, 8, 9 and 11 of Fond England for the year ended 31 December 2011 represents average selling price in respect of sales of residential units only. No carparks were sold and delivered for the year ended 31 December 2011, while the Group sold and delivered both carparks and residential units for the six months ended 30 June 2012. As carparks have relatively lower selling price per sq.m. as compared to residential units, the average selling price for the six months ended 30 June 2012 decreased as compared to average selling price for the year ended 31 December 2011.

2 This project was originally developed as a 5-storey building in 1994. Upon the completion of the fifth floor of Yu Feng Plaza in 1996, the Group postponed the development plan of Yu Feng Plaza due to economic hard time and tight control on granting loans as a result of the macro-economic control implemented by the PRC Government in 1994. The project was subsequently re-developed starting from 2005. As advised by the PRC Legal Advisor and confirmed by the Directors, to their best knowledge, save as those arbitration action against the Group as disclosed in page 141 of this prospectus, the Group was not involved in any outstanding disputes, claims, complaints or legal proceedings of material importance in relation to this property project as of the Latest Practicable Date.

Given that, for Yu Feng Plaza, (i) Yu Feng Real Estate has been granted the Construction Works Planning Permit and Construction Works Commencement Permits for continuation of construction in 2005; (ii) it was completed in 2007 and Yu Feng Real Estate had been granted property ownership certificate in 2009; and (iii) The Land Resources Bureau of Nanning City* (南寧市國土資源局) and Yu Feng Real Estate entered into a supplemental agreement relating to the adjustment of plot ratio, land use and others matters of Yu Feng Plaza in 2010 and the land on which Yu Feng Plaza was constructed had not been deemed to be idle land by the Land Resources Bureau of Nanning City . The PRC Legal Advisor therefore is of the opinion that the Group would not be subject to any claim or challenge under laws and regulations currently in force in relation to idle land as a result of continuation of construction of Yu Feng Plaza in 2005.

The PRC Legal Advisor further opines that, even if the said piece of land is deemed to be idle land, more than two years has elapsed since the cessation of the idle state of the plot of land following the completion of the construction of Yu Feng Plaza in 2007. According to the provisions of the Administrative Punishment Law* of the PRC (中華人民共和國行政處罰法), if the act of violation was not found within two years, no administrative penalties shall be sanctioned. On this basis, Yu Feng Real Estate will not be subject to any potential administrative punishment.

3 The total site area of Phase 2 of Fond England as at the Latest Practicable Date only represented the covering site area* (基底面積) of its completed buildings as recorded in the Construction Works Planning Permits of Blocks 1, 8, 9 and 11.

Phase 1 of Fond England consists of five blocks of 18-storey buildings, of which four blocks were completed in September 2009 and the remaining block was completed in December 2009.

Sales information for completed property projects

The following table sets out the sales information for completed property projects of the Group:

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the six months ended 30 June 2011	For the six months ended 30 June 2012
Saleable GFA delivered (sq.m.)				
Residential units	14,092	26,193	506	10,776
Carparks	4,416	1,979	709	5,414
Average selling price (HK$/sq.m.)				
Residential units	5,658	9,663	9,257	10,485
Carparks	5,835	6,172	6,106	3,682

As at 30 June 2012, the book value of the Group's unsold completed properties held for sale in respect of Phase 1, Phase 2 and Phase 3 of Fond England was approximately HK$93.9 million. As of the Latest Practicable Date, the Group expects to sell and deliver all its remaining residential units and carparks of Fond England by the third quarter of 2013, and all of its retail units of Fond England by 2012.

Properties under development

Fond England Project

Fond England Project has a total saleable GFA of 14,052 sq.m. under development as at the Latest Practicable Date.

Project	Type	Date of commencement of construction	Date of commencement of pre-sales	Estimated date of completion for the project and delivery to the buyers	Attributable interest to the Group	Total saleable GFA as at the Latest Practicable Date	GFA under pre-sales permit as at the Latest Practicable Date	GFA pre-sold as at the Latest Practicable Date	GFA unsold as at the Latest Practicable Date	Average selling price per sq.m. for pre-sold property: for the year ended 31 December 2010	for the year ended 31 December 2011	for the six months ended 30 June 2012	from 1 July 2012 up to the Latest Practicable Date	Development costs incurred up to the Latest Practicable Date	Estimated further development cost to be incurred after the Latest Practicable Date	Corresponding property as set out in the property valuation contained in Appendix III to this prospectus (property number)
					(%)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$)*	*(HK$ million)*	*(HK$ million)*	
Fond England (Phase 2 Block 10 裕豐•英倫 (第二期 10號樓)	Residential	17 November 2008	29 August 2011	February 2013	93.84	14,052	14,052	11,294	2,758	—	11,289	10,975	11,655	75.4	22.2	20
Li Yuan Project	Residential, commercial and carparks	11 June 2012	—	September 2014	87.52	46,033	—	—	46,033	—	—	—	—	99.4	204.8	21
Total						60,085	14,052	11,294	48,791					174.8	227	

According to the Directors, the total estimated investment costs required for property under development of Fond England is approximately HK$126.5 million including the land premium of approximately HK$5.0 million. As at the Latest Practicable Date, the accumulated development costs paid for Fond England under development were approximately HK$104.4 million. It is expected that, the development cost of approximately HK$3.8 million for Fond England under development will be settled in the year ending 31 December 2012 and the remaining will be settled in 2013. Development cost amounted to HK$34.4 million and HK$15.1 million remained payable as at the Latest Practicable Date for Phase 2 and Phase 3 of Fond England's held for sales respectively. It is expected that development cost for Phase 2 and Phase 3 Fond England held of sales of HK$12.8 million and HK$4.1 million respectively will be settled in the year ending 31 December 2012 and the remaining balances will be settled in 2013. The Group expects to use its internal funds and the proceeds from sales and pre-sales of Fond England to finance the remaining unpaid development cost of Phase 2 and Phase 3 of Fond England.

Li Yuan Project

As of the Latest Practicable Date, the Group owns a piece of land in the New & Hi-Tech Industrial Development Zone (高新技術產業開發區) of Nanning. The Group entered into the land grant contract with Nanning municipal government and obtained the land use right certificate for this piece of land after acquiring the controlling interest of Bai Yi Commercial which holds interests in the land. The land was originally used for storage purposes with a site area of approximately 9,074 sq.m. During the Track Record Period, the Group has leased the property to an Independent Third Party and generated the rental income of approximately RMB360,000 (equivalent to approximately HK$444,240) for the year ended 31 December 2010.

According to the PRC laws, in the event that a property owner changes the use of the land provided in the original land grant contract, consent must first be obtained from the original grantor of the land use rights and the planning administration authority at the relevant city and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, *inter alia*, change the use of the land and adjust the land premium accordingly.

In March 2010, the Group submitted an application to the Planning Administration Authority of Nanning New & Hi-Tech Industrial Development Zone* (南寧高新區規劃局) for changing the use of the land from storage to a residential and commercial complex development. The Group has obtained the approval from the Planning Administration Authority of Nanning New & Hi-Tech Industrial Development Zone in the same month. As of the Latest Practicable Date, the Group has obtained the amended land use right certificates, the Construction Land Planning Permits and the project listing approval, the Construction Works Planning Permits and the Construction Works Commencement Permit.

The Group's attributable interest in Li Yuan Project is approximately 87.52%.

The Group is developing a residential and commercial complex at this location, called Li Yuan Project (荔園項目). The project, with a total aggregate GFA of approximately 46,792 sq.m., is expected to include residential properties with the GFA of approximately 32,719 sq.m., comprising about 360 apartments, a shopping arcade with the GFA of approximately 3,579 sq.m., parking spaces with GFA of approximately 9,735 sq.m. and public facilities with GFA of approximately 759 sq.m.

As at the Latest Practicable Date, according to Directors, the total estimated investment cost for the development of the Li Yuan Project is approximately HK$304.2 million, including the land premium paid of approximately HK$63.7 million. As at the Latest Practicable Date, the total investment cost paid for the Li Yuan Project was approximately HK$99.4 million. It is expected that, the development cost of approximately HK$8.2 million will be settled in the year ending 31 December 2012, approximately HK$96.9 million will be settled in the year ending 31 December 2013 and the remaining will be settled in 2014. The Group expects to use its internal funds, the proceeds from the pre-sales of Li Yuan Project and debt financing to finance the development cost of the Li Yuan Project. Having considered those internal and external sources of fundings, the Group believes that it shall have sufficient financing to fund the development cost of the Li Yuan Project. As of the Latest Practicable Date, the Directors intended to sell and deliver Li Yuan Project by December 2014.

Other parcels of land

As of the Latest Practicable Date, the Group holds the land use right certificates for two plots of allocation land located at No. 14 Xixiangtang Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC (being property no. 22 as set out in "Property valuation" in Appendix III to this prospectus) through the acquisition of Bai Yi Commercial. The two plots of allocation land were allocated by the local government prior to its reorganisation and transformation to Bai Yi Commercial as a limited company for residential use with a total site area of 1,816 sq.m. Since there are two employee dormitories erected on the two plots of allocation land as of the Latest Practicable Date, the PRC Legal Advisor is of the opinion that these two plots of allocation land do not constitute idle land as buildings and structures have been built on the two plots of allocation land and the probability that it would be subject to any successful claim or challenge under the relevant PRC laws and regulations governing idle lands is remote.

Under the PRC laws, allocation of land use right refers to the situation where state-owned land use rights are assigned to the land user without consideration. As such, the Group is not required to make payment of land grant premium for obtaining the state-owned land use rights of the two plots of allocation land located in the New & Hi-Tech Industrial Development Zone. As Bai Yi Commercial was originally a state-owned enterprise when it obtained land use rights of the two plots of land by allocation, such obtaining of land use rights are in accordance with the PRC laws and regulations. Moreover, according to the Notice issued by the People's Government of Nanning City on Further Deepening of Reformation of Matters on Restructuring State-owned and State-controlled Industrial and Commercial Trade Enterprise* (南寧市人民政府關於進一步深化已改制國有及國有控股工業和商貿流通企業改革問題的通知), the land use rights originally obtained by allocation can be continually used by way of allocation provided that the land use has not been converted. After the state-owned enterprise reorganization of Bai Yi Commercial, these land use rights have not been forfeited. At present, Bai Yi Commercial still holds and continues to have interest in the land use rights of the two plots of land by way of allocation and they from part of the land reserves of the Group for the time being. The PRC Legal Advisor is of the opinion that the holding of the land use rights of the two plots of allocation land by Bai Yi Commercial is in compliance with applicable PRC laws and regulations. Since the two plots of allocation land are not transferable before obtaining the local government's approval, there is no commercial value assigned by the Group's property valuer to these two plots of allocation land in the "Property valuation" in Appendix III to this prospectus. The Group has recognised the two plots of allocation land as inventories of properties and the carrying amount is nil as at 31 December 2011.

As advised by the PRC Legal Advisor, in accordance with the PRC laws, restrictions on alienation are imposed on allocation land use rights, which cannot be assigned, leased, charged or otherwise disposed of without the prior consent of the relevant PRC governmental authority, and without first being converted into granted land use rights. If the Group intends to develop the two plots of allocation land and make them transferable, the Group is required to obtain approval from the competent PRC authorities (such as the relevant land resource administrative authority) for the change of land use right from allocation to grant in accordance with the relevant PRC laws and regulations. Depending on the PRC laws and regulations in force at the time of application for the conversion, upon approval, (i) the Group (as the land user) is required to follow the granting procedure and enters into a land grant contract if it obtains the land use right by way of agreement, and pay the corresponding land grant premium; or (ii) the successful bidder, where the grant of the land use right may be required to be carried out through public tender, auction or listing-for-sale, will be required to enter into a land grant contract and pay the land grant premium, before obtaining the amended land use right certificates, the project listing approval, the Construction Works Planning Permits and the Construction Works Commencement Permits. Subject to the Group's compliance with the relevant procedures as required under the applicable PRC laws and regulations then in force (including the payment of land grant premium) and (in the case that the grant of land use right is carried out through public tender, auction or listing-for-sale) assuming that the Group is the successful bidder, the PRC Legal Advisor envisages that there is no legal impediment for the Group in obtaining the amended land use right certificates and other requisite approvals and permits.

As advised by the PRC Legal Advisor and according to the applicable PRC laws and regulations currently in force, the amount of land premium payable by the Group in order to convert the land from allocation land to granted land is determined by reference to the market price of the land concerned at the time of the conversion.

The PRC Legal Advisor further advises that, pursuant to provisions of the Provisional Measures on the Administration of Redemption of State-owned Land Use Right in Nanning* (南寧市收回國有土地使用權管理暫行辦法), in the event that the plots of allocation land were resumed, converted and granted by the Nanning Municipal Government to any party other than Bai Yi Commercial, Bai Yi Commercial would be entitled to receive compensation at such level to be assessed based on the interests held or enjoyed by it in the plots of allocation land under resumption in accordance with the applicable laws and regulations of the PRC.

As of the Latest Practicable Date, the Group did not have any immediate or implementation plans to develop the two plots of allocation land. Should there be any suitable business opportunity arise in the future, the Group may consider obtaining the amended land use right certificates and all other necessary approvals and permits in respect of the two plots of allocation land.

PROPERTY DEVELOPMENT PROJECTS

Fond England (裕豐 • 英倫)

In the early 2000's, the Nanning municipal government commenced to develop Nanning into an environmental friendly city. In 2007, Nanning won the "Habitat Scroll of Honour Award" given by the United Nations and became a "Green City of China".

In 2007, in response to Nanning's approach to rebrand its image as an environmental friendly city, the Group began to adopt the strategic plan of building environmental friendly buildings. The Group commenced the pilot Green Building project in Guangxi, namely the Fond England project, which aims to develop a real estate project with the concept of Green Building that creates a comfortable living environment. This project was developed by WTS Real Estate, a project company and a non-wholly owned subsidiary of the Group as at the Latest Practicable Date.

Fond England is located in the Fengling sub-district, a residential area in Nanning that the Group believes is suitable for the development of middle to high end residential apartments in Nanning.

The site area of Fond England covers approximately 65,965 sq.m. The Group acquired its interest in this site in 2006 through its investment in WTS Real Estate. This property project was divided into three phases of development with a total expected GFA of over 170,000 sq.m. comprised a residential area of 130,523 sq.m., commercial area of 1,008 sq.m., carparks of 23,815 sq.m. and public facilities of 15,467 sq.m.

The design and development of Fond England complies with the Green Building Standards and the Technical Standards for PARB. The development of Phase 1 of Fond England commenced on 3 November 2007 and was completed on 19 December 2009, comprising five blocks of 18-storey buildings, retail units and basement, with a total GFA of approximately 72,261 sq.m. The total development cost of Phase 1 of Fond England was HK$267.3 million. As at the Latest Practicable Date, the total unsold GFA of Phase 1 of Fond England was approximately 3,967 sq.m., representing 3 residential units, 119 carparks and 8 retail units. Fond England offers its residents the combination of low-density and green living environment with a green coverage ratio of over 43.9% along with a plot ratio of approximately 2.0.

After completion of the development project of Phase 2 and 3 of Fond England, the Group targets to sell all of the remaining residential units and carparks by the third quarter of 2013, and targets to sell all of the retail units by 2012. Upon completion, Phase 2 will comprise five blocks of 18-storey buildings with a total of 513 units, covering a total planned GFA of 86,282 sq.m. and Phase 3 will comprise four 6-storey buildings and two 5-storey buildings with a total of 68 units, covering a total planned GFA of 12,061 sq.m. Pursuant to the PRC property pre-sale regulations, the Group commenced the pre-sales of a portion of residential units of Phase 2 and Phase 3 of Fond England in September 2009 and June 2010 respectively. The cumulative pre-sales of Phase 2 of Fond England decreased from HK$264.7 million as at 31 December 2011 to HK$142.9 million as at the Latest

Practicable Date and the cumulative pre-sales of Phase 3 of Fond England decreased from HK$73.8 million as at 31 December 2011 to HK$37.6 million as at the Latest Practicable Date. Such decrease was due to the amounts recognised as revenue resulting from properties delivered to purchasers outweighed the amounts received from the new pre-sales contracts signed.

As at the Latest Practicable Date, there is no outstanding land premium to be paid in respect of Phases 1 to 3 of Fond England and the Group has obtained the land use right certificates for all phases of Fond England.

As advised by the PRC Legal Advisor, WTS Real Estate (the project company for Fond England) has obtained the Construction Land Planning Permits, the Construction Works Planning Permits and the Construction Works Commencement Permits, which are all of the relevant requisite permits for the development of Phase 2 and Phase 3 of Fond England; and WTS Real Estate is required, for the pre-sale of Phase 2 and Phase 3 of Fond England, to obtain the Pre-Sales Permits, and for the completion of the construction of Phase 2 and Phase 3 of Fond England, to attend to and complete the relevant filing procedures for completion inspection of construction works. As at the Latest Practicable Date, the Group has obtained the Pre-Sales Permits for Phase 1, Phase 2 and Phase 3 of residential units and carparks of Fond England. In addition, prior to selling the retail units of Fond England, the relevant documents which are satisfying the pre-conditions for sale of the retail units shall be submitted to NHSREMB for filing. Subject to WTS Real Estate's conforming to the applicable laws and regulations, the PRC Legal Advisor is of the opinion that there is no legal impediment for WTS Real Estate to complete the filing procedures requisite for completion inspection of construction works upon completion of the construction of Phases 2 and 3 of Fond England.

Application of Green Technologies

The Group has followed the Technical Standards for PARB for the development of Fond England. Such standards represent the primary evaluation criteria in China for construction of residential projects. It reflects the overall performance level of the residential building, particularly in terms of the extent to which the developer was able to conserve building materials, energy, land, and water during construction. The standards are intended to promote higher project quality and act as a guide on building material consumption for residential development.

In developing Fond England, the Group has applied the following green technologies:

Green technology applied	**Outcome**
Computerized simulation technology	Optimise ventilation and lighting of the entire complex.
Aerated concrete and bubble glass	Better heat insulation in walls and roofs.
Double-glazed glasses with built-in adjustable shutter blind	Enhance heat and sound insulation.
Solar-powered panels installed on the roof top	Energy saving on powering water heaters, air-source heat pump water heaters and outdoor lightings.
Renewable energy-saving elevators	Save electricity up to 50.0%.

Green technology applied	Outcome
Artificial wetland sewage treatment system	Water saving by collecting waste water and purifying waste water for landscaping and irrigation.
Micro-water sprinklers	Apply less amount of water with better irrigation coverage.

These technologies, commonly known as "green technologies", were primarily developed by Independent Third Parties. The Group purchased the green technologies from these independent vendors and conducted research and tests to apply them in practical situations. The Group incurred approximately RMB0.1 million (equivalent to approximately HK$0.2 million) for the year ended 31 December 2010 in conducting research and tests to apply the green technologies purchased from Independent Third Parties in practical situations and no such cost incurred for the year end 31 December 2011. Even though the Group does not hold any patents in respect of the green technologies, it has developed the know-how, the technological understandings, as well as the practical application of these specific technologies to the construction of a large-scale residential building. All of these green technologies are on display in the Green Technology Centre located inside Fond England.

Awards awarded by the Group

Being the pilot Green Building project in Guangxi, Fond England has been lauded with a number of awards and accolades. Among all the awards and accolades awarded to the Group, the following are regarded by the Directors as the most notable representations of the Group's success in the application of green technologies towards its property development projects, its dedication to environmental preservation and its attainment of peer recognition and professional achievement:

	Assessment criteria/selection process
Guangxi Construction Model Project — Green Construction* (廣西建設科技示範工程 — 綠色建築類) awarded in 2008 and 2009	Candidates of the awards were required to fulfill the criteria of Management Measures of National Green Building Innovation Awards* (全國綠色建築創新獎管理辦法) and Rules for the Implementation of National Green Building Innovation Awards* (全國綠色建築創新獎實施細則), both issued by MOHURD. All the applications were first reviewed by the offices of MOHURD at municipal level and further reviewed, assessed and judged jointly by the Guangxi Construction Science and Technology Association* (廣西建設科技協會) and the Guangxi Real Estate Association* (廣西房地產業協會) in accordance with the Management Measures of Guangxi Construction Model Project* (廣西建設科技示範工程管理辦法) and the Management Procedures of Guangxi Construction Model Project* (廣西建設科技示範工程管理程序) before the award winners were selected.

	Assessment criteria/selection process
Most Valuable Property in Nanning* (南寧"屋有所值"樓盤) awarded in 2008	The competition was judged by professionals from different fields such as architects, property valuers and property consultants. The assessment criteria were based on a range of key indicators including architectural design, new technology or materials used, construction density, plot ratio, the ancillary facilities provided, property management, sustainability and comparison with other properties in the same region and took into account of the views expressed by journalists after collecting general opinion from property users through questionnaires and site visits made on the property project of each candidate before the winners were selected.
Top 10 Green Building Project* (綠色建築十佳設計項目) awarded in 2008	The assessment criteria focused on the ability of each candidate to achieve, over the span of construction, a well-designed green or environmentally sustainable building which can (among others) minimize the total environmental impacts (in terms of reduction of energy consumption, water conservation and waste recycling, etc.) to a maximum extent, increase occupant comfort, allow efficient use of space and create a healthier living environment on one hand and demonstrate innovation, creation of promotional or economic value and synergy on the other hand. Candidates were assessed by panel of judges from the Science Development Centre of Chinese Ministry of Construction* (建築部科技發展促進中心) and the American Energy Foundation* (美國能源基金會). With this award, Fond England has become one of the successful examples of future green building development in the PRC.

Impact of the PRC austerity policies

(i) *Circular on Adjusting Real Estate Supply Structure and Stabilising Real Estate Price*

The General Office of the State Council promulgated the Circular on Adjusting Real Estate Supply Structure and Stabilising Real Estate Price (關於調整住房供應結構穩定住房價格的意見) on 24 May 2006. Commencing from 1 June 2006, for newly approved and developed commodity residential units, the total GFA of units which are not more than 90 sq.m. should comprise at least 70.0% of the total GFA developed. Therefore, the planning of the construction and development of Fond England and Li Yuan Project and any other projects which has taken or to be taken by the Group will have to take into account the above requirement as long as it remains in force. According to the PRC Legal Advisor, the issue of the Construction Works Planning Permits by NPAB for Fond England and Li Yuan Project indicates that the planning of Fond England and Li Yuan Project has met the above requirement.

(ii) *The April 2010 Notice*

In order to curtail the overheating of the property market, the PRC Government has introduced an array of austerity policies and measures. The General Office of the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices In Some Cities *(關於堅決遏制部分城市房價過快上漲的通知) in April 2010 (the "April 2010 Notice") and the Notice on Further Promoting and Adjustment and Control of Real Estate *(國務院辦公廳關於進一步做好關於房地產市場調控工作有關問題的通知) in January 2011. The General Office of CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management *(中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知) in March 2011. For more information on these notices, please refer to the paragraph headed "The PRC Government may adopt further measures to curtail the overheating of the property market" under sub-section headed "Risks relating to the industry" in the section headed "Risk factors" of this prospectus.

Pursuant to the April 2010 Notice, a stricter differential housing credit policy should be enforced, one of the measures in the notice provided that, among others, for first-time family buyers of apartments larger than 90 sq.m., the minimum down payment must be at least 30.0% of the purchase price of the underlying property. Phases 1, 2 and 3 of Fond England are medium to high-end residential apartments in Nanning with approximately 38.9% of the residential units larger than 90 sq.m., the implementation of such notice may suppress the market demand for commodity properties, which will in turn affect the demand of the Group's unsold units of Phases 1, 2 and 3 of Fond England.

Initially, in the first half of 2011, the Group encountered some difficulties in the pre-sales and sales of Fond England after the introduction of the April 2010 Notice. The pre-sales volume of the residential units of Phases 2 and 3 of Fond England dropped significantly after the introduction of these austerity measures. The Group therefore adjusted its pre-sale schedule by postponing its original attempt to launch and release additional residential units of Phases 2 and 3 of Fond England in the second quarter of 2011 on the market to the third quarter of 2011 while continuing the pre-sales or sales of those residential units of Phases 2 and 3 of Fond England which had already been put on the market but remained unsold. The Directors considered it expedient to delay the pre-sales schedule because this allowed the Group to (i) re-evaluate the effectiveness of its marketing campaign and adjust and improve its promotion strategies when the property market was weak and (ii) minimize its marketing expenses so that the Group could stage a stronger comeback when the property market revived. As of the Latest Practicable Date, over 86.6% and 80.4% of the Group's saleable area in Phases 2 and 3 of Fond England were sold and/or pre-sold respectively. The average selling prices of the residential units pre-sold in the second half of 2011 were higher than the average selling prices of the residential units pre-sold in the first half of 2011. The average selling prices per sq.m. of the residential units pre-sold in the first half of 2012 were HK$11,770. The following table sets forth the semi-annual average selling price of pre-sold residential units of Fond England during Track Record Period:

	2010		**2011**		**2012**
	1 January to 30 June	**1 July to 31 December**	**1 January to 30 June**	**1 July to 31 December**	**1 January to 30 June**
Average selling price (RMB per sq.m.)	7,679.46	8,683.61	8,503.60	8,953.76	9,538.26
(Equivalent to approximately HK$ per sq.m.)	9,476.45	10,715.57	10,493.44	11,048.94	11,770.21

Saved as the deferred pre-sale schedule set forth above, the Group did not experience material delay in its pre-sales projects.

(iii) *Notice No. 61*

Pursuant to Notice No. 61, which was implemented on 24 March 2011, the increment in the price of newly-developed residential property shall be compatible with the growth of the per capita disposable income, and shall not be higher than the growth of regional GDP of Nanning City.

As the Pre-Sales Permits of the units comprising Blocks 2, 3, 5, 6, 7 of Phase 1, Blocks 1, 8, 9, 11 of Phase 2, Blocks 12, 13 of Phase 3 and carparks of Phase 1 and Phase 2 of Fond England had been obtained by the Group prior to the implementation of Notice No. 61 in 2011, the selling price set by the Group for the pre-sales and sales of these residential units were not affected by the price control measures under Notice No. 61, which has effectively mitigated the adverse impact of Notice No. 61 on the Group's business and financial performance.

The pricing of the Group's property development projects has taken into account, among other things, the then market condition, the pricing of property development projects in proximity to the Group's development projects and the funding requirement of the Group. According to the Directors, the pricing strategy of the Group has remained unchanged subsequent to the implementation of Notice No.61, the intended pricing of the residential units and carparks of the Group has remained at comparable levels.

Subsequent to the implementation of Notice No.61, the Group has obtained the Pre-Sales Permits for the pre-sale of one block (i.e. Block 10) of Phase 2 and four blocks (i.e. Blocks 15, 16, 17 and 18) of Phase 3 of Fond England. The Directors have not taken into account Block 10 of Phase 2 of Fond England for the analysis below, as its construction costs would be higher than any other blocks of Phase 2 of Fond England.

The average selling price and gross profit margin before and after the implementation of Notice No.61 are set out below:

Blocks 12 and 13 of Phase 3 of Fond England*	Blocks 15, 16, 17 and 18 of Phase 3 of Fond England
Before the implementation of Notice No.61	*After the implementation of Notice No. 61 up to the Latest Practicable Date*
Pre sales average selling price: RMB9,890	Pre sales average selling price: RMB9,698
Gross profit margin: 32.6%	Gross profit margin: 31.4%

* According to the Directors, Blocks 12 and 13 of Phase 3 of Fond England have similar orientation and view, to Blocks 15, 16, 17 and 18 of Phase 3 of Fond England.

As shown in the table above, the pre-sales average selling price for Blocks 15, 16, 17 and 18 of Phase 3 of Fond England was approximately 1.9% slightly less than the average selling price of Blocks 12 and 13 of Phase 3 of Fond England. The gross profit margin for Blocks 15, 16, 17 and 18 of Phase 3 of Fond England was also approximately 1.2% slightly less than that of Blocks 12 and 13 of Phase 3 of Fond England, which is in line with the difference in average selling price as illustrated above.

Accordingly, the Directors are of the view that, as far as the pre-sale/sale of the units of Blocks 15, 16, 17 and 18 of Phase 3 of Fond England are concerned, the impact of the implementation of Notice No. 61 was not such as to materially and adversely affect the selling price and the resultant gross profit margin of these units.

As confirmed by the Directors, the actual selling prices of the Group's pre-sold/sold property units during the Track Record Period subsequent to the implementation of Notice No. 61 were below the approved selling prices as submitted and approved by the relevant authority in Nanning City upon obtaining the Pre-Sales Permits by the Group.

The austerity measures implemented by the PRC Government together with the Nanning municipal government have led to certain drop of volume of sales of the Nanning real estate market generally and the sales and pre-sales of Phases 1, 2 and 3 of Fond England in the first half of the 2011.

Furthermore, with the continuous development of urbanisation and growth of disposable income per capita in the PRC, the demand for residential properties will inevitably increase. The Directors are optimistic about the PRC real estate market. The Directors believe that, while the price control policy will affect the activities of the Group's property development business to a certain extent, a healthy development of the PRC real estate market through appropriate control policy is of paramount importance and will benefit long-established and devoted real estate developers including the Group. The Directors are confident that the Group will be able to identify more development opportunities which fit its vision and financial capability in the long run.

Unsold properties

The following table sets forth the GFA of unsold properties (including residential units, commercial units, and carparks) of Fond England as at the Latest Practicable Date:

Project	**Total GFA unsold** *(sq.m.)*
Fond England (Phase 1)	3,967
Fond England (Phase 2)	10,093
Fond England (Phase 3)	2,370
	16,430

Note:

(1) The total GFA unsold excludes the GFA pre-sold.

Pre-sales information

The Group received proceeds from pre-sales of property projects (including residential properties and carparks) of approximately HK$282.0 million (which comprised of approximately HK$255.4 million of residential properties and HK$26.6 million of carparks), HK$260.4 million (which comprised of approximately HK$229.6 million of residential properties and HK$30.8 million of carparks) and HK$115.8 million (which comprised of approximately HK$110.9 million of residential properties and HK$4.9 million of carparks) as of 31 December 2010, 31 December 2011 and 30 June 2012, respectively.

Set out below are pre-sold information of Fond England's residential units by quarter up from January 2010 to September 2012:

	GFA pre-sold in respect of contracts entered during the quarter	Average selling price per sq.m. in respect of contracts entered during the quarter	Pre-sale proceeds received during the quarter
	sq.m.	*HK$*	*HK$'000*
2010			
1st quarter	4,350.7	9,097.6	16,149.19
2nd quarter	5,878.6	9,756.8	154,983.89
3rd quarter	1,213.0	10,846.1	14,138.71
4th quarter	10,139.8	10,700.0	70,148.06
2011			
1st quarter	3,950.9	10,455.3	61,877.55
2nd quarter	103.6	11,949.3	17,094.31
3rd quarter	9,540.6	10,739.7	78,622.98
4th quarter	7,481.7	11,443.2	72,031.67
2012			
1st quarter	4,720.3	12,074.4	51,079.46
2nd quarter	4,836.4	11,473.4	59,760.36
3rd quarter	3,606.9	13,298.1	58,520.18

The Directors considered that the decrease in sales volume in the second quarter 2011 was attributed mainly to the austerity measures implemented by the PRC Government together with the Nanning municipal government. As illustrated above, sales volume subsequently recovered in the second half of 2011. In the first half of 2012 sales increased by 135.7% to 9,557 sq.m. as compared to the corresponding period in 2011. The Group obtained the last 5 Pre-Sales Permits for the remaining residential units of Fond England in the second half of 2011, namely, Blocks 10, 15, 16, 17 and 18 with a total GFA of 21,874 sq.m. The commencement of pre-sale of such remaining residential units of Fond England increased the residential units pre-sold in the second half of 2011 but since there were no new residential units launched for pre-sale in the first half of 2012, the pre-sale volume decreased in the first half of 2012.

Average selling price in overall exhibits an increasing trend, ranging from HK$10,455 per sq.m. for the first quarter of 2011 to HK$11,473 per sq.m. for the second quarter of 2012. The fluctuation of approximately 9.7% during the period was mainly due to the pre-sales of residential units of different orientation.

Pre-sales proceeds mainly represent initial deposits and installment payments received from customers.

Profitability analysis for on-going and current property projects under development

The table below sets forth the profitability analysis from the Group's on-going and current property projects under development:

	Expected gross profit margin*
	Approximate %
Unsold areas of Phase 1 of Fond England	58.5
Unsold areas of Phase 2 of Fond England	12.0
Unsold areas of Phase 3 of Fond England	21.9
Li Yuan Project	32.9

* Bases and assumptions have been adopted in determining the expected gross profit margin. Key bases and assumptions are the best estimates made by the Directors and senior management of the Group. Since the expected gross profit margin relates to the future, actual results may be different from the estimation because events and circumstances frequently do not occur as expected, and the differences may be material.

According to the Directors, the expected gross profit margin for the unsold areas of Phase 1 of Fond England is approximately 58.5% due to the facts that (i) the construction cost for Phase 1 of Fond England was lower than Phases 2 and 3 of Fond England in 2012; and (ii) Phase 1 of Fond England also consists of commercial units, which is expected to be sold with substantially higher average selling price per sq.m.

The relatively lower expected gross profit margins of Phases 2 and 3 of Fond England are considered by the Directors to be mainly due to the facts that (i) the timing of entering into the construction contracts in that by the time such construction contracts were entered into for Phase 2 and Phase 3 of Fond England, the construction price went up due to inflation, (ii) additional ancillary facilities were included in the development of Phase 2 and Phase 3 of Fond England (e.g. club house and higher green coverage ratio) as compared to Phase 1 of Fond England.

The Directors are of the view that the expected higher gross profit margin for Li Yuan Project of approximately 32.9% as compared to Phase 2 and Phase 3 Fond England was mainly attributable to the lower foundation cost incurred due to the level landscape of Li Yuan Project and the absence of ancillary facilities according to the current development plan.

Sales Cancellations

During the Track Record Period, the Group has experienced 19 sales cancellations from purchasers, as the purchasers were rejected from applying for mortgage loans and from registering as owners of the units as a result of the austerity measures. The total prices of the units which were subject to such sales cancellations were approximately RMB23.2 million (equivalent to approximately HK$28.7 million) and the deposits of such sales cancellations in an aggregate amount of approximately RMB1.9 million (equivalent to approximately HK$2.3 million) were returned to the purchasers. As at the Latest Practicable Date, 15 properties out of the 19 cancelled properties were re-sold. In aggregate, the Group recorded an increase in sales amount in respect of re-selling the 15 properties.

Delay in handover of properties

The Group has experienced unexpected delay in buyers' taking possession of the residential units in Fond England in 2011. 69 property buyers (which in aggregate acquired 7,378 sq.m. of residential units) did not contact the Group to complete the residential units handover process notwithstanding that the Group had, upon completion of the construction of Blocks 8, 9 and 11 of Fond England, notified all relevant buyers to complete the handover procedures. These residential units had subsequently handed over to the buyers in the first half of 2012.

Delay in the application process of sales certificate

The Group has experienced unexpected delay in the process of application of the sales certificate for the commercial units for Phase 1 of Fond England. This arose during the Group's initial application process following the Group's completion of the construction of such commercial units. Notwithstanding that the commercial units had passed the completion of construction works inspection, the construction of Phases 2 and 3 of Fond England were then in the process and certain common or ancillary facilities of Fond England as a whole were not entirely completed. Given that (i) there were no written guidelines from NHSREMB as to whether the procedures in respect of the application for sale or pre-sale of "residential" units (with which the Group was familiar) were equally applicable to the sale or pre-sale of "commercial" units when certain common or ancillary facilities of a project as a whole were yet to be ready for use or (ii) whether such status of the commercial units would be regarded as fulfilling the conditions for "post-completion" sales as stipulated under the Measures for Administration of Post-Completion Sale of Commodity Buildings* (商品房銷售管理辦法), the Group then considered it prudent to consult, and had accordingly acted on the verbal guidance from NHSREMB by submitting an application for "pre-sales" permit for the commercial units in its initial application. Subsequently, however, during NHSREMB's review of the Group's application, the NHSREMB concluded otherwise that it would be more appropriate for the Group to apply for a sales certificate instead of a pre-sales permit as originally advised verbally in respect of the commercial units. The Group, therefore, made a fresh application to NHSREMB for a sales certificate. The Group would not and had no intention to take action against NHSREMB for any direction or re-direction made by it as the Group believes that NHSREMB, as the issuing authority, has the ultimate discretion on how to enforce its power within the applicable laws and regulations. The resubmission had resulted in delay in the Group's obtaining of the sales certificate necessary for the sale of the commercial units of Fond England.

Yu Feng Plaza (裕豐大廈)

Yu Feng Plaza is located at the core zone in Xingning District, namely the Minsheng Road pedestrian zone (民生路步行街), which is a well developed area readily accessible by public transportation and considered by Nanning's tourist publications as a shopping and entertainment centre of Nanning. The total site area of Yu Feng Plaza is approximately 2,889 sq.m. and the total aggregate GFA is approximately 39,352 sq.m., comprising commercial area of 16,483 sq.m., residential area of 18,467 sq.m., carparks of 4,324 sq.m. and public facilities of 78 sq.m.

The Group acquired its interest in the site through its investment in Yu Feng Real Estate. There was no outstanding land premium. This project was the first property development project of Yu Feng Real Estate to develop a commercial complex in the city centre of Nanning in 1994; it was originally developed as a 5-storey building with a total GFA of approximately 17,214 sq.m. Upon the completion of the fifth floor of Yu Feng Plaza in 1996, the Group postponed the development plan of Yu Feng Plaza due to economic hard time and tight control on granting loans as a result of the macro-economic control implemented by the PRC Government in 1994. In 1997, the Group converted Yu Feng Plaza into a shopping centre for leasing.

In early 2005, Yu Feng Real Estate commenced the re-development of Yu Feng Plaza to convert it into a commercial and residential complex. After the re-development, Yu Feng Plaza became a 21-storey building, covering a total GFA of over 39,000 sq.m. Upon completion of this project, the building consisted of 266 apartment units with a total GFA of approximately 18,467 sq.m., 862 retail units on the 1st to 6th floors with a total GFA of approximately 13,173 sq.m., a total GFA of approximately 3,310 sq.m. for the 1st lower ground floor and 7th floor, and 100 carparks with a total GFA of approximately 4,324 sq.m. The 8th to 21st floors have been developed as residential units while the 1st lower ground floor and the 1st to 7th floors are for retail and office use. The 4th lower ground to the 2nd lower ground floor are used as carparks.

Upon the completion of the re-development in 2007, Yu Feng Real Estate sold all of the residential units and some of the retail shops, but retained the ownership of several units on the retail floors and the carparks for leasing to Independent Third Parties. As of the Latest Practicable Date, the Group held a total GFA of approximately 8,223 sq.m. for leasing purposes, which comprised of 3,899 sq.m. of commercial area and 4,324 sq.m. of carparks was held by the Group. Further details of leasing are set out under the sub-section headed "Property leasing business" in this section of the prospectus.

As at the Latest Practicable Date, there were 26 cases of arbitration claims filed by 26 owners of certain units of Yu Feng Plaza against the Group with Nanning Arbitration Commission in September 2010, claiming liquidated damages and arbitration cost in relation to the Group's delay in, or causing delay in, completing the property ownership registration and obtaining the property ownership certificates. The amount of claim concerning the actions was approximately RMB356,000 only (equivalent to approximately HK$439,000). The Company has not made any accounting provision for the outstanding arbitration claims because claims on similar grounds were made by owners of some other units in Yu Feng Plaza against the Group previously and such claims were adjudicated in favour of the Group. The Nanning Arbitration Commission (南寧仲裁委員會) heard the actions in November 2010 and issued the arbitration awards in July 2012.

As a matter of procedural arrangement, a purchaser may elect to apply for the property ownership certificate through the Group or by the purchaser himself/herself (and, for the latter case, the Group's obligation is only to provide the necessary documents on its part to NHSREMB. As far as these 26 arbitration claims are concerned and to the best of the Directors' knowledge and information having made all reasonable enquiries, the property ownership certificates in respect of 25 out of 26 units have been issued. The status of application of the property ownership certificate in respect of the remaining one unit is yet to be ascertained by the Group as (i) the application was made by such purchaser (but the Group had fulfilled its obligation by providing the necessary documents on its part in support of all applications) and the status of application has not yet been confirmed by the purchaser and (ii) the status of application is not a record that is available for public inspection. The PRC Legal Advisor is of the opinion that, save for the 26 arbitration claims which were still pending adjudication before July 2012, Yu Feng Real Estate would not face any other penalty, outstanding claims or adverse consequence for the delay in, or causing delay in, completing the property ownership registration and obtaining the property ownership certificates. According to the arbitration awards issued in July 2012, the arbitration tribunal rejected claims filed by 17 owners respectively and ruled in favor of 9 owners respectively. The aggregate amount for liquidated damages and related legal costs and expenses ruled to pay by the Group is RMB171,246.

As confirmed by the Directors, save as disclosed in this prospectus, the Group was not involved in any outstanding disputes, claims, complaints or legal proceedings of material importance in relation to this property project as of the Latest Practicable Date.

Li Yuan Project (荔園項目)

The Li Yuan Project is a residential and commercial property project located in New & Hi-Tech Industrial Development Zone in Nanning. This property project is adjacent to Guangxi University (廣西大學) and is located in an area that contains a number of high schools and low-density residential buildings.

The PRC Legal Advisor has advised that according to the PRC law, for the development of the Li Yuan Project, the Group is required to obtain the project listing approval, the amended land use right certificates, the Construction Land Planning Permits, the Construction Works Planning Permits and the Construction Works Commencement Permits. The Group has obtained all certificates and permits to commence development of Li Yuan Project including project listing approval (obtained on 30 November 2011), the amended land use right certificates (obtained on 19 December 2011), the Construction Land Planning Permits (obtained on 24 February 2012), the Construction Works Planning Permit (obtained on 2 August 2012) and the Construction Works Commencement Permits (obtained on 9 August 2012). As at the Latest Practicable Date, construction of Li Yuan Project has commenced and has being classified as property under development.

The Li Yuan Project occupies a total site area of approximately 9,074 sq.m. with a total GFA of approximately 46,792 sq.m. The site for the project was held through the acquisition of Bai Yi Commercial. Originally used for storage, the site has been approved for a residential and commercial development by the Planning Administration Authority of Nanning New & Hi-Tech Industrial Development Zone in March 2010. The Group had signed the amended land grant contract and paid land premium in November 2011 and obtained the amended land use right certificates in December 2011. The land premium in relation to the Li Yuan Project had been paid by the Group is approximately HK$63.7 million. The Group had obtained the project listing approval and the Construction Land Planning Permits in November 2011 and February 2012 respectively upon payment of the land premium. Accordingly, the estimated market value of the Li Yuan Project as shown in the "Property valuation" in Appendix III to this prospectus is determined based on the amended permitted use for urban residential and commercial uses.

The Group is developing the Li Yuan Project site into a residential and commercial complex with a total GFA of approximately 46,792 sq.m., consisting of high rise residential apartments with a total GFA of approximately 32,719 sq.m., retail shops with a total GFA of approximately 3,579 sq.m., parking spaces with a total GFA of 9,735 sq.m. and public facilities with a total GFA of 759 sq.m. It is expected to be developed in one phase and the total expected cost of the project is approximately

HK$304.1 million, including the land premium of approximately HK$63.7 million in respect of the change of permitted usage of the site to be paid by the Group. The Group expects to use its internal funds, the proceeds from the pre-sales of Li Yuan Project after settlement of the properties' development costs and debt financing to finance the development costs of the Li Yuan Project.

The Group has commenced the construction of the Li Yuan Project in mid 2012 and therefore such project is being classified as property under development. The Group expects to complete the development of Li Yuan Project by September 2014. Prior to the completion and delivery of Li Yuan Project by December 2014, the Group's properties available for sales will comprise only the remaining unsold residential units and carparks of Fond England.

Financing of Li Yuan Project development

The Group expects to use its internal resources, the proceeds from the pre-sales of Li Yuan Project and debt financing to finance the development cost of Li Yuan Project. In order to enhance the Group's operating position and provide it with greater financial flexibility in the long-term development of its business (including the development of Li Yuan Project), the Group will explore every viable financing options on terms acceptable to the Group from time to time. As at the Latest Practicable Date, the Group had received an offer letter from an independent corporation for the grant of an entrusted loan in the amount of HK$49.0 million. Such entrusted loan is for a term of two years and will bear interest at the rate of 140.0% of PBOC lending rate per annum on the security of certain investment properties of the Group. The Directors confirmed that the terms of such new entrusted loan are comparable to those existing entrusted loans of the Group. In addition, the Group had been in negotiation with certain banks for the grant of a construction loan and a working capital loan to the Group and the applications were being reviewed and processed by the banks.

The Group obtained the Construction Works Commencement Permit of Li Yuan Project on 9 August 2012. Based on the Group's previous experience from the development of Fond England, the Directors are of the view that it would normally take approximately six months (starting from the date on which the Group had obtained all necessary approvals and permits for the commencement of construction works of a development project or a particular phase of it) before an application for the grant of a construction loan could be approved.

In light of the above, the Directors consider (with which the Sole Sponsor concurs) that the process of application of the construction loan is within normal timeframe and there are no matters or circumstances of which the Directors and the Sole Sponsor are currently reasonably aware which would render the Group's loan applications to be rejected based on the Group's operational position, credit and financial standing.

Based on the latest construction schedule and progress and the expected proceeds generated from the sales and/or pre-sales of Fond England and pre-sales of Li Yuan Project, the Directors consider that it will have sufficient fund to finance its existing property projects (including Li Yuan Project) and it is expected that, barring any unforeseen circumstances, do not envisage that there will be material impact to the Group (including the development of Li Yuan Project) should it be unable to obtain the construction loan and working capital loan.

i *Progress on the construction loan application*

Chronology of the construction loan application process

May 2012	Construction loan application made by the Group
	Background and due diligence review by the relevant banks
August 2012	All necessary approvals and licenses (including the Construction Works Commencement Permit) for the development of Li Yuan Project obtained
Late August 2012	Provision of documents verbally requested by the relevant banks in support of the construction loan application
	Official kick-start of the construction loan application process
Between September and October 2012	Provision of additional information verbally requested by the relevant banks including an update of the construction progress and status of major contracts obtained in relation to Li Yuan Project.

Status update/progress of the construction loan application and outstanding procedures

According to the latest written communication by the Group with the relevant bank in early November 2012, the Group's construction loan application is under internal approval stage. The relevant bank although did not indicate a definite timeframe for approving the bank loan, indicated to the Group that the relevant bank was not aware of any irregularity in the Group's operation and considered that the development project of the Group was feasible.

Based on the understanding of the Directors and the Directors' verbal communication with relevant bank's officer, the Group's application will be forwarded to the relevant bank's regional headquarters for final approval after receiving the approval from regional office.

ii *Progress on the working capital loan application*

The Group has supplied all necessary documents in support of the loan application. The Directors estimated that, within 4th quarter, the Group will be offered with a banking facility. As at the Latest Practicable Date, the banking facility was pending for approval from the bank.

MOUs entered for possible property development projects

The Group entered into a non-legally binding MOU in February 2012 with an Independent Third Party, to co-invest in the development of a plot of land owned by such Independent Third Party which, located at Nan Lun Road, Nanning with a total planned GFA of approximately 90,083 sq.m. known as the Sauce Factory re-development project ("Sauce Factory Project") into a residential and commercial complex. Each party intended to perform certain preparatory work including conducting market research and feasibility study on the viability of the project for both parties' further consideration. As the project is still in a preliminary stage, both parties have not discussed in details on issues such as the manner of co-operation, funding and financing requirements, profit sharing, timing of implementation and other related issues, which are subject to further negotiation and the signing of a legally binding definitive agreement by the parties. The Independent Third Party is principally engaged in packaged food wholesale, property leasing and condiment production and had been one of the shareholders of Bai Yi Commercial between 2003 and 2005. Subject to the satisfactory outcome of the market research and the feasibility study to be carried out by the Group, should the Group intend to proceed, the development of the plot will commence upon obtaining relevant government approval. Preliminarily, the development will be funded by internal financial resources.

In March 2012, the Group entered into another non-legally binding MOU with an Independent Third Party to co-develop a plot of land owned by such Independent Third Party with a planned total GFA of approximately 10,622 sq.m. located at Chen Cun Road, Nanning into a hotel ("Chen Cun Road Project"). The major shareholder of the Independent Third Party, a state-owned enterprise which owns 75.2% interests, is also an Independent Third Party. Both parties are conducting certain preliminary preparation including preparing a proposal to the relevant authorities to apply for the change in land use right of the plot of land zone from storage to commercial purposes. The cost of preparation of the proposal is estimated to be approximately RMB200,000. As the project is subject to the successful application for the change of land use right of the plot of land, both parties have not discussed in details on issues such as the manner of co-operation, funding and financing requirements, profit sharing, timing of implementation and other related issues, which are subject to further negotiation and the signing of a legally binding definitive agreement by the parties. The Independent Third Party is principally engaged in hotel operation, entertainment and catering, tourism and information consultancy. Subject to the Independent Third Party complying with the relevant procedures as required under the applicable PRC laws and regulations then in force and (in the case that the grant of land use right is carried out through public tender, auction or listing-for-sale) assuming that the Independent Third Party is the successful bidder, the PRC Legal Advisor envisages that there is no legal impediment for the change in the land use right. According to the applicable PRC laws and regulations currently in force, the amount of land premium payable by the Independent Third Party is determined by reference to the market price of the land concerned at the time of the conversion. As at the Latest Practicable Date, the Group together with the Independent Third Party were in a preliminary preparation stage for submitting a proposal to the relevant authorities for the change of land use right. Subject to the successful application of the change in land use right, the development of the hotel will commence in the third quarter of 2014. Should the Group consider to pursue the development opportunity, the development will preliminarily be funded by internal financial resources.

The Directors are of the view that the Group's record of success as a developer of commercial and residential projects alike in the PRC gives the Group a strong competitive edge in securing new projects in the PRC, in particular, in sites and cities where the PRC local governments encourage the rejuvenation of their local cities. The Directors believe that abovementioned co-operations in the development of projects, namely the Sauce Factory Project and the Chen Cun Road Project, will further strengthen the Group's competitive edge in this regard by providing the access to local sites and cities in prime locations that the counterparties to the MOUs may have had and in turn benefit the Group in the long run by facilitating the sourcing and obtaining of suitable lands for development and by capturing the long-term potential of such sites and cities. It is the current intention of the Group to commence the abovementioned potential property projects after the completion of the Li Yuan

Project. The Group intended to use the proceeds generated from sales/pre-sales of Fond England and Li Yuan Project to fund such projects. Should the surplus proceeds generated from Fond England and Li Yuan Project are insufficient to fund the two potential property projects, the Group will, subject to agreement being reached with the potential business partners, consider a lower shareholding in the potential projects coupled with other forms of contribution or cooperation such as the provision of technical support or consultancy services in the development of two potential projects.

PROPERTY LEASING BUSINESS

The Group's property leasing business comprises leasing of retail units owned by the Group and properties held by Independent Third Parties and sub-leased by the Group. The Group's property investment objective is to achieve regular rental income. The Group's leasing properties are mainly located in two districts, namely Xingning District (興寧區) and Xixiangtang District (西鄉塘區) of Nanning. As of the Latest Practicable Date, the Group's retail units held for the purpose of leasing to Independent Third Parties comprise an aggregate rentable GFA of approximately 23,606 sq.m. in the PRC and 48 sq.m. in Hong Kong, of which the aggregate GFA of approximately 17,405 sq.m. in the PRC and 48 sq.m. in Hong Kong has been leased out. The Group's sub-leasing properties are mainly located in Xingning District of Nanning. As at the Latest Practicable Date, the Group did not have any intention to dispose of any of its investment properties. The detailed locations of the Group's retail property holdings and the Group's leased properties are set out in the "Property valuation" included in Appendix III to this prospectus.

On the properties held by Independent Third Parties (being the owners or permitted users of the properties) and sub-leased by the Group (the "Sub-leased Properties"), the PRC Legal Advisor is of the opinion that, since the legal documents governing the leasing or sub-leasing arrangement of each of the Sub-leased Properties have been entered into by the Group (as lessee) with the relevant owners or the permitted users of the Sub-leased Properties (as lessor) who have given express consent to the sub-leasing by the Group, the Group has obtained valid consent from the relevant owners or the permitted users of such owners for the sub-leasing by the Group of the Sub-leased Properties.

The total GFA held by the Group and Independent Third Party property owners for leasing purpose and the rental income generated therefrom in the two years ended 31 December 2010 and 2011 and as at the Latest Practicable Date were as follows:

Property	Corresponding property set out in the property valuation contained in Appendix III to this prospectus (property number)	Total GFA as per property ownership certificate *(sq.m.)*	Total GFA rentable in 2010 *(sq.m.)*	Rental income in 2010 *(HK$'000)*	Total rentable GFA in 2011 *(sq.m.)*	Rental income in 2011 *(HK$'000)*	Rental income for the six months ended 30 June 2011 *(HK$'000)*	Total rentable GFA as at 30 June 2012 *(sq.m.)*	Rental income for the six months ended 30 June 2012 *(HK$'000)*	Total rentable GFA as at the Latest Practicable Date *(sq.m.)*	Total GFA rented out as at the Latest Practicable Date *(sq.m.)*
PRC											
Property developed and/or held by the Group for leasing											
Yu Feng Plaza	(1)	3,899	2,229	13,346	2,229	14,473	6,917	2,229	7,515	2,223	2,223
Yu Feng Plaza — carparks	(1)	4,324	4,324	298	4,324	339	162	4,324	210	4,324	N/A
Yu Feng High Street *(Note 3)*	(2)	6,774	3,883	771	3,850	1,033	—	3,849	6,108	3,852	3,355
No.10 West Street	(5)	2,188	1,732	—	1,722	444	78	1,722	426	1,722	1,722
Other properties *(Note 1)*		9,287	7,464	14,246	7,464	17,759	8,676	7,464	9,095	7,464	6,194
Properties held by Independent Third Parties and sub-leased by the Group											
International Kitchen Supplies Centre (裕豐•國際廚櫃中心)	(25)	5,200	3,406	4,353	3,411	5,265	3,528	3,411	2,872	3,411	3,301
Guo Mou Centre (廣西國際貿易中心)	(26)	1,039	610	4,115	610	4,951	2,443	610	2,164	610	610
Other properties											
Li Yuan Project *(Note 2)*	(21)	8,795	6,973	413	—	—	—	—	—	—	—
Hong Kong											
Property held by the Group for leasing in Wu Chung House		48	—	—	48	176	44	48	132	48	48
Total		41,554	30,621	37,542	23,658	44,440	21,848	23,657	28,522	23,654	17,453

Notes:

(1) The other properties include (i) retail outlets on Minsheng Road and Xingning Road; (ii) property located at a site on Gonghe Road, Xingning District; and (iii) retail units in Xinan Shangdu and Lvdu Shangsha, Xingning District.

(2) The Group has obtained all relevant certificates for the development of Li Yuan Project in August 2012 and is developing the site into a residential and commercial complex. Before obtaining the amended land grant contract and the amended land use right certificates, the Group leased the property to an Independent Third Party during the Track Record Period up to 21 November 2012. The Group has not leased the property to any third party since then.

(3) The total GFA as per the amended property ownership certificate issued on 11 May 2012.

The following table sets forth details of the major investment properties of the Group in Nanning as of the Latest Practicable Date.

No.	Project name	Location	Usage	Lease terms	Total GFA (sq.m.)	Title defect (Yes/No)	Corresponding property set out in the property valuation contained in Appendix III to this prospectus (property number)
1	Yu Feng Plaza	Yu Feng Plaza, No.1 Xiguan Road	Retail, office and carparks	Ranging from 11 months to 5 years	8,223	No	1
2	Yu Feng High Street and other properties	Front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No.113 Minsheng Road	Retail	Ranging from 5 months to 8 years	8,048	No	2
3	No. 10 West Street	Front and back yard of No.10 Xingning Xi Street	Office and retail	Ranging from 21 months to 10 years	2,188	No	5
4	Other properties	Room No.1 and 2 on 1/F, No.47 Xingning Road	Retail	3 years	36	No	3
5	Other properties	1/F and 2/F, No.57-61 and Room No.1, 2 and 3 on 1/F; and Room No.1 on 2/F of No.3 Xiyili, Xingning Road	Retail	Ranging from 3 years to 5 years	347	No	4
6	Other properties	1/F, No.119 Xingning Road and Room No.1 and 2 on 1/F of No.66 Minsheng Road	Retail	3 years	478	No	6
7	Other properties	Room No.1 to 7 on 1/F and Room No.1 to 5 on 2/F of No.61 Chaoyang Road	Retail	3 years	863	No	7
8	Other properties	The whole of 1/F and 2/F of No.78 Chaoyang Road	Retail	7 years	2,237	No	8
9	Other properties	The whole of 1/F of No.11, 13 Xinmin Road	Retail	5 years	250	No	9

No.	Project name	Location	Usage	Lease terms	Total GFA *(sq.m.)*	Title defect (Yes/No)	Corresponding property set out in the property valuation contained in Appendix III to this prospectus (property number)
10	Other properties	No. 99 and 99-1 Huaqiang Road and Room No.1 on 1/F of No. 1 Huaxi Road	Retail	3 years	210	No	10
11	Other properties	The 1/F of Block No. 1 and the whole of Block No.2 of No.220-4 and 220-5, Mingxiu Dong Road	Retail	5 years	217	No	11
12	Other properties	The 1/F of Block No. 1 and Block No.2 and 3 of No. 218-9, Xinyang Road	Retail	5 years to 6 years	381	No	12
13	Other properties	No.80, Changgang Road	Retail	3 years	210	No	13
14	Other properties	Block No.1 to 4, No.80-1 Changgang Road	Industrial	N/A	1,141	No	14
15	Other properties	No.128 Daxue Dong Road and Block No. 1 of No. 1, Liyuan Road	Retail	N/A	510	No	15
16	Other properties	No.117, Gonghe Road	Retail	Temporary	161	No	16
17	Other properties	Retail unit No.23 and residential unit No. 701, 702, 703, 739, 750, 751, 752, and 753 of Xinan Shangdu, No.29 Chaoyang Road	Retail and residential	3 years	879	No	17
18	Other properties	4 retail units of 1/F of Lvdu Shangsha, No.131 Minsheng Road	Retail	3 years	95	Yes(1)	18

Remark:

(1) As at the Latest Practicable Date, the application for transferring the title of the above property has been submitted by the property developer of the property.

Occupancy

The table below sets forth the information on the average occupancy rate of the Group's leasing and sub-leasing properties for the years ended 31 December 2010 and 2011, for the six months ended 30 June 2012 and as at the Latest Practicable Date.

	2010		2011		For the six months ended 30 June 2012		As at the Latest Practicable Date	
	Average monthly base rent per GFA[(1)]	Average occupancy rate[(2)]	Average monthly base rent per GFA[(1)]	Average occupancy rate[(2)]	Average monthly base rent per GFA[(1)]	Average occupancy rate[(2)]	Average monthly base rent per GFA[(1)]	Average occupancy rate[(2)]
	(approximately HK$)	*(%)*	*(approximately HK$)*	*(%)*	*(approximately HK$)*	*(%)*	*(approximately HK$)*	*(%)*
PRC								
Properties developed and/or held by the Group for leasing								
Yu Feng Plaza	500	97.5	505	98.9	515	99.0	528	97.2
Yu Feng High Street	55	63.6	329	82.2	301	85.9	282	61.8
No.10 West Street *(Note 3)*	—	3.8	28	89.9	42	99.6	40	100
Other retail outlets	221	79.7	228	87.8	234	86.1	173	78.1
Properties held by Independent Third Parties and sub-leased by the Group								
International Kitchen Supplies Centre (裕豐•國際廚櫃中心)	119	97.2	148	91.1	147	96.6	146	92.0
Guo Mou Centre (廣西國際貿易中心)	567	100	600	100	618	100	598	100
Other properties located in PRC								
Li Yuan Project *(Note 4)*	31	22.9	—	—	—	—	—	—
Hong Kong								
Property held by the Group for leasing in Wu Chung House	—	—	459	100	463	100	459	100
Total (average monthly base rent of all investment properties of the Group or sub-leased by the Group/total GFA rented out)	179		261		262		237	

Notes:

(1) The average monthly base rent per GFA of each property is calculated by dividing the total monthly rent of the relevant property by the respective GFA rented out in the relevant period.

(2) The average occupancy rate of the Group's leasing properties over the relevant period is derived from dividing the sum of total rentable area times rent out days in the relevant period by the total rentable area times total number of days in the relevant period.

(3) Two portions of the property with rentable area of approximately 67 sq.m. were leased out during the 2010 for 146 and 151 days. The Group subsequently terminated the tenancy agreements pre-maturely for renovation purpose and early termination refund was made to tenants.

(4) The Group has obtained all relevant certificates for the developments of Li Yuan Project in August 2012 and is developing the site area into a residential and commercial complex. Before obtaining the amended land grant contract and the amended land use right certificates, the Group leased the property to an Independent Third Party during the Track Record Period up to 30 September 2010. The Group has not leased the property to any party since then.

Yu Feng Plaza

Yu Feng Plaza, redeveloped by the Group in 2005 and located in the Minsheng Road pedestrian zone, is a themed shopping centre with a diversified mix of retail shops involving fashions, entertainment, food and beverages and accessories. The Group possesses ownership of several retail units, office units and carparks of an aggregate GFA of approximately 8,223 sq.m. for leasing to Independent Third Parties. According to section headed "Property valuation" in Appendix III to this prospectus, it comprises 9 retail units, 1 office unit and 100 carparks which were leased to Independent Third Parties as at the Latest Practicable Date. As advised by the PRC Legal Advisor, except for 2 tenancy agreements disclosed in the paragraph headed "Change in GFA of Yu Feng Plaza" in this section, the tenancy agreements relating to Yu Feng Plaza are valid and enforceable. Tenants of Yu Fung Plaza are principally engaged in retail sales of youth trendy apparel, accessories, leather goods, cosmetics, under wears, shoes, food and beverages. As at the Latest Practicable Date, lease terms of Yu Feng Plaza will expire between December 2012 and October 2017.

Retail outlets on Minsheng Road and Xingning Road

Of the Group's leasing properties in Nanning, the most valuable ones are those properties in the vicinity of the pedestrian zone of Minsheng Road and Xingning Road, which is located in the city centre of Xingning District. The Group acquired the retail outlets on Minsheng Road and Xingning Road in 2006 through acquisition of controlling interest in Bai Yi Commercial. As of the Latest Practicable Date, the Group owns 13 retail stores in this district, which comprises a GFA of approximately 3,109 sq.m.

The retail outlets on Mingsheng Road and Xingning Road are located in the Minsheng Road pedestrian zone. The tenants of the retail outlets principally engage in retail of underwear, cosmetics, clothings, shoes, handbags and sportswear. As at the Latest Practicable Date, lease terms of the retail outlets will expire between December 2012 and August 2015.

Yu Feng High Street (裕豐高街)*

In 2009, the Group commenced the refurbishment of an existing building, Wan Guo Shopping Mall* (萬國商場), which is located at the pedestrian zone of No. 107-1 and 113 Minsheng Road, Xingning District of Nanning and is permitted for commercial use. The themed shopping mall, originally built in 1956, contains a total rentable GFA of approximately 4,690 sq.m. The Group acquired its interest in the site through acquisition of controlling interest in Bai Yi Commercial in 2006.

The Group has conducted a feasibility study and found that the site is suitable to be converted into a more modern-looking, environmental friendly retail mall. With the view of upgrading the shopping centre and renewing the appearance of the building, the Group refurbished a building and renamed the building Yu Feng High Street* (裕豐高街). The new mall accommodates 183 retail units with the GFA of approximately 6,774 sq.m. and was re-opened in December 2011. The Group used architectural designs and other open space concepts to refurbish and renovate Yu Feng High Street into a shopping mall with entertainment complex. The Directors believe that Yu Feng High Street will become a focal point of the Minsheng Road pedestrian zone and a tourist attraction of that zone. They also believe that Yu Feng High Street is the cornerstone of design concept for the Group's commercial properties. As advised by the PRC Legal Advisor, the existing use of Yu Feng High Street is in compliance with its permitted use as disclosed in this prospectus.

The Group completed the refurbishment and began to offer the retail units in Yu Feng High Street for lease in December 2011. As of the Latest Practicable Date, the number of retail units has been decreased to 181, among which the Group has leased out 84 retail units.

Tenants of Yu Feng High Street are principally engaged in retail sales of clothing, accessories, cosmetics, shoes, food and beverages. As at the Latest Practicable Date, lease terms of Yu Feng High Street will expire between November 2012 and January 2020.

No.10 West Street (西街10號)

The Group acquired No. 10 West Street through acquiring the controlling interest of Bai Yi Commercial in 2006. No. 10 West Street was another leasing property that the Group holds and refurbishes near the pedestrian zone of Minsheng Road at Front yard and Back yard of No. 10 Xingning Xi Street, Xingning District of Nanning is a building that is permitted for commercial use, now renamed as "No. 10 West Street".

At present, as advised by the PRC Legal Advisor, Nanning City has not promulgated specific regulations on the approval or permits required for the refurbishment of the existing self-owned properties in Nanning. However, according to the Regulation of Nanning City on City Planning Administration* (南寧市城市規劃管理條例), the Construction Works Planning Permit should be obtained in case the refurbishment involves reconstruction (改建) or extension (擴建). As confirmed by the Company, the refurbishment of No. 10 West Street has not involved reconstruction, extension or redevelopment of the building concerned. Based on above, the PRC Legal Advisor is of the opinion that, the Group is not required to obtain project listing approval, the Construction Works Planning Permit and the Construction Works Commencement Permits for the refurbishment of No. 10 West Street according to the PRC laws. In 2010, the Group has been granted the permission to refit the building. The Group started to refurbish this building into an integrated mixed-use building suitable for retail shops, entertainment outlets, commercial workshops, and service apartments in June 2010. The building was originally built in 1977 and was acquired by the Group through its investment in Bai Yi Commercial. As advised by the Company's PRC Legal Advisor, the existing use of No.10 West Street is in compliance with its permitted use as disclosed in this prospectus.

The project is a 5-storey building and covers a total site area of 531 sq.m. with total GFA of approximately 2,188 sq.m. as per property ownership certificate and total rentable GFA of approximately 1,722 sq.m. The Group has completed the refurbishment of the project in March 2011 and has begun to lease the retail units in No.10 West Street as from the first quarter of 2011. As at 30 June 2012, approximately 1,722 sq.m. has been leased out in total, representing 100.0% of the total rentable GFA of the project.

As at the Latest Practicable Date, the tenants of No. 10 West Street, who are Independent Third Parties, are principally engaged in retail of apparel and operation of hotel business.

All leases, which are on normal commercial terms, in respect of the retail units at No. 10 West Street were negotiated by the Group with each of the tenants on an arm's length basis. Except for a lease entered into with one of the tenants for hotel operation for a term of 10 years, the duration of the subsisting leases is within 24 months. As at the Latest Practicable Date, lease terms of No. 10 West Street will expire on March 2013 and March 2021 for retail of apparel and hotel tenants respectively. Any revision of the terms of the leases (including the amount of rental payable) may not be permitted without the Group's consent.

The relatively low average monthly base rent per GFA as at the Latest Practicable Date of approximately HK$40, which was determined by the Group after weighing a variety of factors such as the comparatively more traditional building appearance and features, the limited number of retail units that could be offered for lease and the availability of limited ancillary facilities in the vicinity such as carparks, making the project relatively more challenging for the Group when attracting a wider mix of tenants or shoppers.

The terms of the lease for hotel operation (including the relatively long duration which provides steady and stable stream of income for the Group and the grant of a six-month rent-free period) have taken into account factors such as the nature of the business, the relatively substantial amount of time and investment required to be made by the tenant for remodeling and deploying leasehold improvements to make the premise suitable for hotel operations. The lease provides a progressive increment of the base rent of 8.0% for every three years in recognition of, among others, the expected rise in rental rates and inflation.

Except as disclosed above, the leases that the Group entered into with the tenants do not contain any terms which the Directors consider are not typical for transactions of similar nature.

Retail units in Xinan Shangdu and Lvdu Shangsha

The Group holds certain retail and residential units in Xinan Shangdu (西南商都) and Lvdu Shangsha (綠都商廈), which are located in the Xingning District of Nanning. As confirmed by the Company and advised by the PRC Legal Advisor, the Group had held certain properties (the "surrendered properties") located at the sites which were subsequently surrendered to the relevant PRC authority and assigned to other Independent Third Party project developers ("project assignees") for the reconstruction and development of Xinan Shangdu, which comprises retail and residential units, and Lvdu Shangsha, which comprises retail and commercial units. Upon the development of Xinan Shangdu and Lvdu Shangsha, the Group has been allocated with certain retail units ("resettlement units") of Xinan Shangdu and Lvdu Shangsha as compensation for the surrendered properties at the request and order of the relevant PRC authority for redevelopment of the sites. Pursuant to the resettlement arrangements reached between these project assignees and the Group, it would be the responsibility of the project assignees who have been assigned by the relevant PRC authority to carry out the reconstruction and redevelopment of Xinan Shangdu and Lvdu Shangsha to obtain all necessary approval or permits in respect of their construction and redevelopment.

Xinan Shangdu and Lvdu Shangsha were completed and delivered to the Group in 2010. The Group obtained the building ownership certificates in respect of the resettlement units held by the Group in Xinan Shangdu in June 2012. The project assignees are in the process of applying the land use right certificates for the parcels of land on which Lvdu Shangsha are situated and the building ownership certificates in respect of the resettlement units held by the Group in Lvdu Shangsha from the local governments authorities. As advised by the PRC Legal Advisor, there will not be any legal impediment for the Group to obtain the outstanding certificates of these resettlement units and the possibilities of the Group's rights over the resettlement units being revoked or subject to challenge by the local authorities and/or other individuals/entities are remote. As the timing for obtaining the outstanding certificates of the resettlement units are not entirely within the control of the Group, the Group is not in a position to estimate the expected time by which the certificates could be obtained but will continue to monitor and urge the project assignees to expedite the process. During the Track Record Period the Group has rented out all these resettlement units without the building ownership certificates generating rental income of approximately HK$2.5 million in total for the period from May 2010 to December 2010 and of approximately HK$4.7 million during the year ended 31 December 2011. For the six months ended 30 June 2011 and 2012 the Group generated a rental income of approximately HK$2.4 million (in respect of Xinan Shangdu and Lvdu Shangsha) and approximately HK$0.1 million) (in respect of Lvdu Shangsha only), respectively for units without building ownership certificates. As advised by the PRC Legal Advisor, the Group is legally entitled to hold, use, occupy and lease the resettlement units and/or to enjoy and receive all incomes and benefit derived therefrom notwithstanding the absence of the title certificates.

The Group's retail outlet tenants in Xinan Shangdu and Lvdu Shangsha are principally engaged in retail sales of sportswear and accessories. As at the Latest Practicable Date, lease terms of Xinan Shangdu and Lvdu Shangsha will expire between December 2013 and May 2013.

Property located at Gonghe Road

One of the investment properties held by the Group is located at a site (the "Relevant Site") on Gonghe Road, Xingning District of Nanning. The property was originally owned by Bai Yi Commercial, when it was still a PRC state-owned enterprise in the name of Nanning Food and Beverage Company before the reorganisation and transformation. The local government has not carried out any road construction at the Relevant Site. In 2002, Bai Yi Commercial obtained the approval from State-owned Assets Administration Commission of Nanning* (南寧市國有資產管理委員會) to use the property until the Relevant Site is taken back for the road construction. No commercial value was recorded by the Group as at 31 December 2010, 31 December 2011 and as at 30 June 2012 on account that the Relevant Site would be taken back without compensation for the launch of the road construction. As at the Latest Practicable Date, the Group has not received any notification from the relevant local authority as to the date at which the road construction would commence. The Group has leased the property on a temporarily basis to an Independent Third Party during the Track Record Period. For the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2011 and 2012, the rental income generated from the property was insignificant, amounting to approximately RMB19,800 (equivalent to approximately HK$24,433) for each year of 2010 and 2011, and amounting to approximately RMB9,900 (equivalent to approximately HK$12,217) for each of the six months ended 30 June 2011 and 2012. As the carrying amount of this property during the Track Record Period was nil, the reporting accountants have considered that no further impairment provision is required. Therefore, the Directors are of the view that there would be no material financial impact on the Group should the Relevant Site be taken back by the local government.

International Kitchen Supplies Centre (裕豐 • 國際廚櫃中心)

The Group's lease management practices at International Kitchen Supplies Centre is a typical example of the Group's value-added leasing consulting service, as the Group has designated the entire themed mall for retailers of kitchenware and supplies, requiring retail shop tenants to sell kitchen or related products in the mall. Located near Gucheng Road (古城路), Qing Xiu District, International Kitchen Supplies Centre is a shopping mall with total GFA of 5,200 sq.m. In December 2007, the Group entered into a master tenancy agreement with the landlord of the shopping mall, who is an Independent Third Party, for twenty years and sub-leased the individual retail shops in the shopping mall to independent retailers selling kitchenware and supplies.

The leasing terms of most of the retail outlets sub-leased by the Group in International Kitchen Supplies Centre are 1 to 3 years while the leasing terms of retail outlets sub-leased by the Group in other areas are approximately 4 to 8 years. As at the Latest Practicable Date, the lease terms for International Kitchen Supplies Centre are expected to expire between November 2012 to January 2014.

Sub-leasing tenants of International Kitchen Supplies Centre comprise both well-known foreign and domestic brands, specialized in made-to-order branded kitchen cabinet, wardrobe cabinet, kitchen suppliers and electrical appliances and other home decoration production.

Tenants and leases

As a matter of strategic approach for the leasing business, the Group seeks to maintain long-term relationships with its tenants and to maintain a good balance of tenant composition in a shopping area. The Group also seeks tenants that are capable of helping the Group to promote the image of its rental properties and the Group's reputation as a quality property leasing operator.

The leases for smaller commercial tenants generally run for terms of 1 to 3 years with annual rent reviews. For anchor tenants taking relatively large areas at the Group's commercial complexes, or whose presence is expected to attract other tenants, the Group would offer them leases for longer terms of around 5 to 10 years.

Rents are typically determined based on prevailing market rates, tenants' sentiment toward the property, and the rent of competing properties in the vicinity. During the Track Record Period, the terms of rental payment were negotiated between the Group and the tenants on a commercial basis and the rental fee was paid either monthly, quarterly or yearly in advance. The Directors and DTZ are of the view that, the above terms of rental payment are in line with the industry practice.

Under normal lease agreements between the Group and its tenants, all tenants are required to pay to the Group a rental deposit. If a tenant terminates a lease without cause before its expiration, the Group is entitled to forfeit the rental deposit. Notwithstanding the forfeiture, the tenant would be liable to compensate the Group for other damages that the Group might have suffered due to the pre-mature termination.

During the Track Record Period and as at the Latest Practicable Date, the Group had not experienced any termination of tenancy agreement(s) by key tenant(s) prematurely and unilaterally, or failure to pay rent or commit any material defaults during the subsistence of the tenancy to such extent as to cause substantial loss or have material adverse impact on the business operation or financial performance of the Group.

PROPERTY MANAGEMENT AND CONSULTANCY BUSINESSES

The Group intends to expand its property management and consultancy service businesses for commercial properties as one of the Group's core business. The Directors are of the view that property consultancy business provides synergy to property management business. Upon the engagement of property consultancy service, the Group will provide property owners or permitted users value-added leasing advisory services and the Group via provision of property consultancy service also obtains opportunities to further provide property management services to the property owners.

Property management business

The Group's property management business comprises managing properties that the Group holds in its investment property portfolio, properties that the Group has developed, as well as properties owned or legally used by Independent Third Party property owners or users. The Group's management services include setting property management procedures, providing security, maintaining the properties, landscaping, developing environment protection policies, event planning and consulting services. These business activities are carried out under Golden Yu Feng which holds a valid Class 2 qualification allowing it to carry out property management of up to 300,000 sq.m. for each residential property and up to 80,000 sq.m. for each non-residential property it manages. As of the Latest Practicable Date, the Group earned property management income mainly from, among others, Yu Feng Plaza, Phase 1 of Fond England, International Kitchen Supplies Centre and Guo Mou Centre.

Along with the Group's strategic commitment to develop green building projects, for its building management, the Group has further adopted environmental-friendly building management practices. At Fond England, the Group has ensured that recyclable wastes are collected, and important workplace equipment such as air conditioners, lighting, electrical wiring, or elevators are operated properly in order to conserve energy. The equipment is also maintained properly to ensure that they will achieve maximum usage while conserving energy. The Group also set practical and useful policies for traffic arrangements, cleanliness, and safety drills at Fond England in order to ensure that all aspects of pollution control and safety standards are observed and to ensure a comfortable living environment for occupants of Fond England.

The Group's property management fees charged at each property would be calculated normally based on the GFA of each unit. All property management services are provided in the name of Golden Yu Feng. Golden Yu Feng has been accredited with ISO14001 and GB/T 24001 for meeting environmental management standards, and ISO9001 and GB/T 19001 for meeting quality management standards. The ISO 14001 certificates establish a codified system of standards to measure the extent to which an enterprise has set environmentally conscious policies and practices to meet with environmental preservation goals. The process of certification involves assessing the practices of the enterprise in meeting these standards and goal. The PRC's national GB/T 24001 certificates are an extension of the ISO 14001 standards as applicable in the PRC. The certificates are considered to recognise the achievements of the enterprise in setting and in complying with their environmental-friendly building management goals and practices. It has also been awarded the Outstanding Contribution Award* (突出貢獻獎) and the Award of Advanced Unit* (先進單位) by the Committee of Xingning District of Nanning* (南寧市興寧區委) in 2009.

In 2011, the Group successfully upgraded its property management enterprise qualification certificate from Class 3 to Class 2. In the same year, the Group has also been appointed as the member of the Property Management Association of Nanning* (南寧市物業管理行業協會). The Directors are of the view that the Group has competitive advantages in Nanning property management market in terms of in-depth market knowledge and capability to obtain updated market information in the industry via participating in the Property Management Association of Nanning.

The table below sets forth revenue derived from major property management projects for each year/period ended during the Track Record Period.

	For the year ended 31 December		For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Yu Feng Plaza	4,875	4,539	2,333	2,273
Fond England	1,071	1,699	915	1,221
International Kitchen Supplies Centre	1,252	1,299	853	721
Guo Mou Centre	7,830	8,158	4,288	4,263

Property management fees for residential properties are determined with reference to rates prescribed from time to time by relevant government authorities. In Nanning, all property management fees of residential units are set out in the Standard of Service Level and Fees on Residential and Community Properties in Nanning* (南寧市普通住宅社區物業服務等級及收費標準) as jointly issued by the Nanning Real Estate Management Bureau* (now renamed as NASREMB) (南寧市房產管理局) and Nanning Commodity Price Bureau* (南寧市物價局). For commercial properties, no such prescribed rates are imposed by the PRC Government. For residential properties, the Group would study property management fees of comparable properties charged by other management service providers located in the vicinity of the Group's residential properties.

The property management fees charged by the Group would depend on the GFA of the properties under management, the area at which the properties are located, comparable management fees of similar properties or properties in the vicinity of the Group's properties, or the operation style of the properties.

Property consultancy business

For the property consultancy business, the Group provides to Independent Third Party property owners or permitted users consultation on sub-leasing or management of their properties. Depending on the terms of the tenancy agreements with tenants, the Group normally charges property owners or permitted users a consulting fee of 1 to 2 months of rental income for the Group's effort in securing tenants for the property owners or permitted users for each year. In addition, consultancy services that the Group offers including (i) locating prospective tenants; (ii) determining the market positioning of each property, or each level, or the units within the properties; and (iii) developing featured theme shopping malls, or selecting appropriate tenants. Consultancy fee of such services, normally ranging from RMB100,000 (equivalent to HK$123,400) to RMB400,000 (equivalent to HK$493,600) in instalments is generally determined by reference to the location and the size of the property, the requirements of the property owner and the brand image of the property developer. The Group also provides property agency services in respect of sale of properties. The Group and its relevant staff have obtained relevant certificates and licenses in carrying out property agency services. Consulting fee of agency services is based on the prevailing market rate of Nanning, normally ranging from 0.8%-1.0% of total sales of properties. The marketing personnel of the Group is responsible for formulating marketing strategies for rental properties, conducting researches to understand the rental market in each area, identifying potential tenants, negotiating with tenants and determining rental rates for properties. The marketing personnel would from time to time publicise the availability of rental units through advertisements in the print media, promotion conference and circulation of flyers. The marketing personnel has established databases of prospective tenants to facilitate timely negotiation to fill up vacant units.

The table below sets forth information relating to the consultancy service fees generated from major projects for each year/period ended during the Track Record Period.

	For the year ended 31 December		For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Customer A	689	—	—	—
Customer B	509	278	85	15
Customer C	463	82	81	—
Customer D	204	—	—	—
Customer E	207	181	179	—
Customer F	—	—	—	1,087
Customer G	—	—	—	1,460
Customer H	—	—	—	736
Customer I	—	—	—	245
Customer J	—	—	—	245

The Directors are of the opinion that there may be potential conflict of interest between the Group's property management and consultancy businesses for properties owned or used by Independent Third Party and its own property leasing and property managing businesses. However, the Directors consider that such potential conflict is not of material concern because of the following reasons:

➢ any Independent Third Party property owner that engages the Group for provision of its consulting services would have prior knowledge of the property development property, leasing, and property management businesses of the Group. As such, it is unlikely that these property owners or users would engage the Group for its consulting services if they consider such potential conflict of interest is material and not acceptable; and

➢ the Group's property development, property leasing, property management and consultancy businesses are operated independently and headed by different senior management. The independence may provide some degree of confidence to Independent Third Party property owners or users that their interests would be protected by the Group's sales and marketing team.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and its respective potential customers, the Group will have internal assessment to determine whether to take up or decline the respective services business opportunities with the potential customers.

Guangxi International Trade Centre ("Guo Mou Centre") (廣西國際貿易中心)

Guo Mou Centre is a themed shopping mall located in the city centre of Xingning District. It is a 4-storey building with total rentable GFA of approximately 26,370 sq.m. The building has 863 retail units. During the Track Record Period, management income of the Group was mainly derived from Guo Mou Centre.

In May 2008, upon the completion of the development of Guo Mou Centre, the property developer of Guo Mou Centre, which was an Independent Third Party, engaged Golden Yu Feng to provide property management services to Guo Mou Centre for a term of five years. Subsequently the property developer had sold off most of the retail units of Guo Mou Centre to other Independent Third Parties. The Group expects the management service contract to continue until its termination in January 2014.

During the Track Record Period, the Group generated management fees for the management of Guo Mou Centre of approximately RMB22 (equivalent to approximately HK$27) per sq.m. per month. The service provider, Golden Yu Feng, provides 24-hour services and multiple levels of security for managing the property. It also organises regular promotions and other initiatives in the shopping mall to attract customers.

Other property management business

Saved as disclosed above, the Group has entered into a MOU on 12 March 2012 with the land owner of the Sauce Factory Project as also stated in the paragraph headed "Property development projects" to (i) manage the commercial portion of the residential and commercial complex with a total planned GFA for commercial areas of approximately 7,473 sq.m. and (ii) provide consultancy services including initial consultancy service, and real estate agency service upon completion of development, subject to the entering of a formal management and consultancy agreement.

The Group has also entered into a MOU with an Independent Third Party, a property owner of a shopping mall with a total planned GFA for commercial use of approximately 23,310 sq.m. located in Huqiu Cun, Ming Xiu Road. Pursuant to the MOU, the Group will provide initial consultancy service and real estate agency service, with the detailed scope of work to be confirmed upon the signing of a formal consultancy agreement.

PROPERTY DEVELOPMENT PROCESS

The Group has designated specific project teams to be in charge of each property development projects. The team would supervise the entire property development processes. The followings set out the salient features of the Group's property development practices:

i. *Project planning, development and land acquisition*

The planning, development and land acquisition functions of the Group's operations are undertaken by the senior management of the Group. Project development due diligence (including on-site visit, feasibility study, project positioning analysis, budget analysis, and macro economy analysis) will be carried out by the senior management of the Group. The Board's approval will be required for new projects.

The Group will also engage Independent Third Party property consultant on a project by project basis to assist the senior management to evaluate individual projects.

Once a development project is selected, the Group will discuss with relevant government authorities on the development strategy of the site in order to fit in with the overall development plan of the city.

After acquiring the relevant pieces of land, the Group would prepare the preliminary concepts and designs and apply with the relevant government authorities to obtain the project listing approval (立項).

ii. *Project financing*

In respect of financing property development projects, the Group had two main sources of funding, by way of debt financing or internally generated cash flows.

iii. *Architectural and interior designs*

The Group's core design concepts are mainly developed by the management and marketing personnel of the Group, including the drawing up of the overall design concept for each of the property development projects. Once the master design concept of a property development project is developed, the Group would outsource the design work to reputable local design firms to undertake detailed architectural and landscape designs for each project.

iv. *Construction*

Obtain Governmental Permits and Certificates

According to PRC regulations, prior to the commencement of construction, the Group as the developer must obtain various government approvals. In particular, the Group would be required to apply for and obtain the various permits before construction would commence including (i) land use right certificate, (ii) Construction Land Planning Permits, (iii) Construction Works Planning Permits and (iv) Construction Works Commencement Permits.

Engage Reputable and Top-Grade Construction Companies as General Contractors

As the Group does not have any in-house contractors or construction workers, it would contract out the construction work for all of its property development projects to construction companies. The construction companies would be selected through the tendering process.

Payment of construction contracts

The construction contracts generally provide for progress payments during the period of construction, until approximately 95.0% to 97.0% of the contract sum is paid. The remaining balance of 3.0% to 5.0% of the contract sum would be withheld by the Group for two to five years after completion in order to offset against any expenses that might be incurred as a result of any construction defects. The retained amounts will be released upon satisfactory completion of all contract work. The Group's standard construction contracts also include express terms of construction schedule, cost and work quality. Under the construction contracts, the general contractors are required to indemnify the Group for any losses that the Group may incur as a result of construction defects or delays and, in the latter case, the general contractor is required to pay default interest calculated on a daily basis. As of the Latest Practicable Date, the Group has not experienced material delays in construction schedules.

vi. *Quality control*

The Group has adopted quality control measures to ensure that the construction would meet the relevant statutory requirements and, in the case of Fond England, meet the Green Building Standards.

In accordance with PRC law and as advised by the PRC Legal Advisor, the Group is required to engage a qualified building administrator* (監理人) to supervise the progress of the contractors. The building administrator conduct quality and safety control checks on all building materials and workmanship on site. It also monitors the progress of construction, work site safety and construction completion schedule. The project team of the Group and the building administrator inspect the equipment and materials received to ensure that the quantity and quality of the goods comply with the contractual specifications, and match with the government standards before accepting the materials and approving payments.

The Directors confirm that historically, the Group has not received any complaints from its customers as to the quality of the Group's properties which led to claims against the Group and which required the Group to pay any compensation to its customers in relation thereto. The Directors also confirm that the Group did not experience any incident of the general contractors failing to meet the Group's requirements or delivering substandard work.

vii. *Pre-sales*

The Group commences pre-sales before completion of the entire project so as to generate pre-sales proceeds to fund the project construction cost.

According to the Law of the Administration of Urban Property of the PRC* (中華人民共和國城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate* (城市商品房預售管理辦法) as amended in 2001 and 2004, property developers are required to fulfil a number of conditions before the pre-sales of a particular property development can commence including among other things, the obtaining of Pre-Sales Permits from relevant local government authorities.

The Group's marketing personnel and its external property sales agency conduct market research and prepare selling price analyses for determining the selling price of the properties, taking into account the general prevailing market conditions, the price of properties with similar standards in the surrounding areas, construction costs and other investment return considerations.

viii. *Sales and marketing*

Sales channels of the Group includes on-site sales centre to cater walk-in customers, which provides information on the development projects including pricing, floor plan and other information regarding the development project. The Group will also appoint independent sales agencies in approaching potential customers. From time to time independent freelance sales agents also refer potential customers to purchase the Group's development project. Promotion activities of the Group will be carried out by its in-house sales and marketing staff and external property sales agencies. They are responsible for conduct market research and organise on-site sales and pre-sales procedures.

ix. *Payment methods and end-user financing*

Purchasers of the Group's properties are allowed to elect to make payments by way of a single lump sum, installments or through mortgage facilities offered by banks. Historically, the needs for mortgages have been prevalent among the Group's purchasers. The Group has, in recent years, collaborated with China Construction Bank, Bank of Communications and Rural Credence Cooperation of China (Nanning branch)* (南寧市區農村信用合作聯社) to offer mortgage facilities to purchasers. The Group does not provide loans to purchasers directly.

The Group is required by certain banks to provide short-term guarantees with respect to the mortgage loans offered to pre-sales purchasers. Under the terms of the guarantees, the Group is required to guarantee the timely repayment of the principal and interest of loans advanced to purchasers. In other words, the Group as a guarantor together with the borrowers would be jointly responsible for the payment of the mortgage loans. These guarantees would be released upon either (i) the obtaining of property ownership certificate and certificate of third party rights to a building (房屋他項權證), being delivered to the bank which confirms the bank's rights of pledge over the relevant properties; or (ii) the settlement of the mortgage loans between the mortgage banks and the purchasers. In the event any purchaser(s) default the loan repayment, the Group would be called upon to honour the guarantee by repaying the mortgage loan before it can repossess the mortgaged property. For each of the years ended 31 December 2010, 2011 and for the six months ended 30 June 2012, the Group had outstanding guarantees for mortgage loans of its purchasers amounting to approximately HK$244.6 million, HK$199.1 million and HK$200.5 million respectively. During the Track Record Period and up to the Latest Practicable Date, the Group had not experienced any material default on its guaranteed mortgage loans but cannot guarantee that the Group will not incur losses when any default of any purchaser on repayment of any mortgage loan occurs in the future. For further details, please refer to the paragraph headed "the Group guarantees mortgage loans of its customers and may become liable to mortgagee banks if customers default on their mortgage loans" under the sub-section headed "Risks relating to the Group" in the section headed "Risk factors" of the prospectus.

The payment terms for sales and pre-sales of properties are substantially identical. For each pre-sale/sale, the Group normally requires its purchasers to pay a nominal non-refundable deposit before entering into the formal purchase agreements. If the purchasers subsequently decide not to enter into the formal sale and purchase agreements, such deposits paid will be forfeited. However, due to the austerity measures introduced by the PRC Government in recent years, some purchasers have experienced difficulties in obtaining mortgage facilities from the banks or have failed to pass the housing registration application due to nonlocal registered permanent residence. In order to boost the pre-sales/sales of Fond England subsequent to the tightening of austerity measures, the Group has agreed with individual purchasers on a case by case basis, if the purchasers were unable to obtain mortgage or complete housing registration application due to nonlocal registered permanent residence, refund on non-refundable deposit to purchasers will be made.

The legal title of the property will only be delivered to the purchaser once the Group has received the full payment.

x. *Completion and delivery*

The Group endeavour to deliver its developed properties within the time frame specified in the pre-sales or sales contracts. The Group's project team monitor the progress of construction to ensure that the properties would be delivered to customers on a timely basis. After the Group apply to the competent real estate administration authorities at or above the county level of the location of the project for completion inspection of property, the real estate administration authorities would organise the authorities of construction quality supervision, planning, fire safety, civil air defense and other relevant authorities to properly conduct completion inspection within 30 days upon receiving the application. Within 15 days from the passing of the completion inspection, the Group would file the Construction Works Planning Acceptance and Compliance Certificate with the relevant construction administration authority for record. Upon filing of the completion documents by the Group, the property is ready for delivery and the Group may hand over keys and possession of the properties to its customers. As advised by the PRC Legal Advisor, the abovementioned completion steps of the Group are in line with the PRC laws and regulations.

When the property is ready for delivery, the Group will inform the property owners to take possession. From time to time, certain property owners after being informed that the property were ready to take possession did not take posssession of their properties in a timely manner.

xi. *After-sales and property management services*

The Group engages Golden Yu Feng to provide after-sales services and manage the residential properties and commercial properties that have been sold. The after-sales services include assisting in the completion of financing applications and title registration and obtaining relevant title certificates. The property management services include operating the properties, providing security, maintaining the property, gardening and other ancillary services.

PROPERTY LEASING BUSINESS PROCESS

The Group formulates its strategy of investing and re-developing the existing properties located in old districts in Nanning based on its investment plan so as to enhance its capabilities in property leasing and develop its reputation as a quality property leasing operator. The Group identifies and evaluates possible locations in Nanning for the property leasing projects through Golden Yu Feng. Set out below are the elements of the Group's property leasing business process which include (i) project planning, (ii) confirmation of target property, (iii) allocation of project team, (iv) formulation and execution of overall theme and design, (v) formulation and execution of marketing strategies, (vi) tenant selection, (vii) regulatory inspection and commencement of lease or sub-lease, and (viii) on-going operation.

i. *Project planning*

The Group's strategic marketing department is responsible for conducing market research and/ or feasibility study on the potential properties, including identifying properties suitable from positioning and analysing on the profitability of the properties, for the senior management to evaluate the potential acquisition or sub-leasing opportunities in these properties.

ii. *Confirmation of target property*

The senior management will negotiate with the Independent Third Party property owners in relation to the terms and conditions of acquisition or master tenancy agreement after reviewing and accessing the market research and/or feasibility study.

iii. *Allocation of project team*

Upon acquiring or leasing of the target property, the Group will dedicate a project team comprising members from the strategic sales department, marketing department, engineering department and other supporting departments. The project team is responsible for coming up with suitable overall theme and characteristics of design, including the market position, decoration and promotion strategies. The project team is also responsible for formulating the overall design concept for each of the leasing projects.

iv. *Formulation and execution of overall theme and design*

In order to increase the rental rates and occupancy rates of properties, the Group usually carry out necessary refurbishment and decoration to improve fitouts and shopfronts of the properties. Project team members from the marketing and engineering department will set out the design criteria based on the market demand and functional requirements (such as the size and layout of individual retail space), and will also appoint and supervise independent interior decoration contractors to execute the overall theme and concepts designed by the project team.

v. *Formulation and execution of marketing strategies*

During the decoration period, the project team is responsible to formulate and execute marketing strategies for the property including, from time to time publicise the retail outlets available in the property through advertisements in the print media or holding promotion conference. Engineering team of Golden Yu Feng will also facilitate the project team to supervise and co-ordinate independent contractors in carrying out the decorating works and equipment installation, and will be responsible for the lodging the fire safety inspection application.

vi. *Tenant Selection*

Suitable tenants are selected by the Group through tendering, screening or direct application.

Tendering process is adopted by the Group to select suitable tenants for certain investment properties. The Group will invite interested potential tenants to submit bids. A winning bidder is subsequently be selected with reference to its terms offered, reputation and available references. The Group believes that this process has been successful in obtaining the most favorable lease terms for the Group's popular investment properties. The winning bidder would enter into a lease agreement with the Group.

The Group will also select suitable tenants through direct screening of applications. Interested potential tenants will provide information for lease application purposes, including but not limited to company background, brand portfolio, product range, pricing strategy, positioning, prospective plan and other relevant information as requested by the Group. The Group will then select and review each lease application base on the Group's strategic planning, the investment properties' target market and positioning. The successful lease applicant would enter into a lease agreement with the Group.

vii. *Regulatory inspection and commencement of lease or sub-lease*

Upon completion of the fire safety inspection procedures and obtaining all relevant approval certificates from the PRC local authority, the Group will then lease or sub-lease the individual retail shops in the property to independent retailers.

viii. *On-going operation*

Prior to the opening of leasing properties, the Group will dedicate an operation team to carry out the on-going operation of the leasing properties. The operation team is responsible for setting out property management procedures, maintaining the properties and provision of on-going security management, maintenance and interior consulting services to the tenants or sub-tenants. The engineering team is responsible from time to time to carry out or co-ordinate renovation and refurbishment work on the Group's investment properties for maintenance purposes.

PROPERTIES USED BY THE GROUP

The Group owns the following properties that are reserved for its own office use:

The Group owns its headquarters in the PRC, located at No. 11-13, Xinmin Road, Nanning, Guangxi Province, with a total GFA of approximately 1,384 sq.m.

The Group also owns its headquarters in Hong Kong, located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong, with a total GFA of approximately 48 sq.m.

CUSTOMERS AND SUPPLIERS

The Group's customers are principally individual purchasers of its residential properties and tenants of its investment properties in the PRC. During the Track Record Period, the Group's five largest customers accounted for approximately 7.8%, 6.9% and 9.0% of the Group's total revenue for the years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 respectively. The Group's largest customer accounted for approximately 2.2%, 1.7% and 2.6% of the Group's total revenue in the same periods, respectively. In respect of the Group's residential properties, the Group's core customer base is local Nanning residents.

During the Track Record Period, the Group's five largest suppliers were general construction contractors. The expenditures made by the Group to the five largest suppliers accounted for approximately 74.1%, 61.7% and 30.0% of the Group's total construction costs for the years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 respectively. The Group's single largest supplier accounted for approximately 47.6%, 39.3% and 12.1% of the Group's total construction costs in the same periods, respectively. The single largest supplier during the Track Record Period was an enterprise which was principally engaged in provision of housing and municipal works construction, decorative engineering and other construction related services. Such enterprise provided construction and related services to the Group, including but not limited to, the construction of Phase 2 of Fond England and dismantlement and refurbishment of Yu Feng High Street, for the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2012. The Group did not enter into long-term contracts with its major suppliers beyond the term of each project as the Group would engage them on a project-by-project basis through the tendering process. The Group would usually pay these contractors by instalments according to the development progress of each project. Upon the completion of a project, the Group would retain about 3.0% to 5.0% of the total contract sum as a contingency to cover defects and damages, if any, that may arise from the construction.

None of the Directors, their associates nor any Shareholder (who or which to the knowledge of the Directors owns more than 5.0% of the Company's share capital) has any interest in any of its five largest customers or five largest suppliers during the Track Record Period.

COMPETITION

Due to the rapid development of Nanning, investors from various cities of the PRC or foreign countries have made plans to enter into the property development market in Nanning in recent years. The Group competes with other property developers and property managers based on a number of factors including but not limited to product quality, service quality, location of property, and brand recognition. The Group's existing and potential competitors include major domestic property developers in the PRC and, to a lesser extent, foreign developers. The Directors consider that some of the competitors may have better track records, greater financial, marketing, human and other resources than the Group as well as larger sales networks and greater brand recognition. For more information on the impact of competition, please refer to the paragraph headed "The Group's business and financial position may be adversely affected by the intensified competition" under the sub-section headed "Risks relating to the Group" in the section headed "Risk factors" of this prospectus.

The Group believes that it has certain competitive advantages in Nanning in terms of its in-depth market knowledge and capability to develop properties by offering green buildings designs and quality premises and in terms of its brand name and strong relationships with its tenants to provide quality property management and consultancy services.

NON-COMPETITION

Each of the Directors has confirmed that save and except for his/her interests to the Group, he/she and his/her associates do not have any interest in a business which competes or may compete with the business of the Group nor do they have any conflict of interests with the Group's business.

INSURANCE

Under PRC laws applicable before July 2011, on development projects, construction companies were required to acquire personal accident insurance policies in favour of their construction workers engaged in dangerous operation. As the Group had engaged Independent Third Party contractors to carry out construction for its projects, property damage of the Group's operating machines under construction, personal injury arising out of accidents incurred by workers engaged in dangerous operation, or property damage or personal injury incurred by staff on site are covered by insurance policies maintained by the construction contractors. However, the Group also carries social insurance for its employees and maintains personal accident insurance. These personal accident insurance policies are purchased on a voluntary basis as there is no statutory mandatory provision in laws and regulations in the PRC.

In addition, the Group has taken out motor vehicle insurance and property all-risk insurance on the properties owned by the Group, including the properties under construction and the investment properties. The Directors are of the view that the insurance coverage taken out by the Group is typical and in line with the industry practice for similar operations and is adequate for the operations of the Group.

During the Track Record Period and up to the Latest Practicable Date, there was no material outstanding claim under any of the insurance policies maintained by the Group.

LEGAL AND REGULATORY MATTERS

Regulatory non-compliance

Regulatory non-compliance of the Group are summarized below:

Regulatory non-compliance	Reason(s) for the non-compliance	The legal consequences	Financial impacts	Provisions on financial statements	Personnel involved in the non-compliance incidents	Rectification actions taken/to be taken and latest status	Measures to prevent any future breaches and ensure on-going compliance
Laying of audited accounts within the statutory time limit	The omissions were principally due to unfamiliarity of directors of Leepark Holdings and Leepark (Netherlands) with the statutory requirements	Maximum fine of HK$30,000 and a summary prosecution under the Companies Ordinance	Nil#	Nil*	Dr. Lee Mrs. Lee Dr. Elaine Eick	The Group has applied for and the High Court of Hong Kong granted court orders allowing formal extension and no sanction was imposed.	The Company has set up an Internal Legal Department to manage the Hong Kong financial reporting issues and compliance matters so as to prevent the failure to lay the audited accounts for approval at the annual general meetings within the statutory time limit.

Regulatory non-compliance	Reason(s) for the non-compliance	The legal consequences	Financial impacts	Provisions on financial statements	Personnel involved in the non-compliance incidents	Rectification actions taken/to be taken and latest status	Measures to prevent any future breaches and ensure on-going compliance
Qualification of property management enterprise in the PRC	Due to the by-stage handover of 12 blocks of building subject to provision of management service, Golden Yu Feng did not realize the accumulated GFA exceeded the statutory allowance	Fine ranging from HK$12,340 to HK$37,020	Nil#	Nil*	Golden Yu Feng's General Manager, Mr. Cai Zi Qi	Golden Yu Feng has applied for and was awarded the Class 2 qualification on 6 July 2011, accordingly the non-compliance was rectified by the Group.	The Company has set up an Internal Legal Department to maintain a register to keep track of the renewal timeline of the qualification held by the Group and to monitor the PRC compliance issues. All material contracts must be reviewed by the head of Internal Legal Department before the execution to make sure the PRC companies comply with all the local rules and regulations. The Company will also engage an external legal advisor, to assist the Company to provide the latest information in respect to the rules and regulations of the property market in Nanning after the Listing.
Registering the lease agreements in the PRC	The non-fixed lease term of the lease, the refusal of the counterparties to effect registration or the lack of relevant building ownership certificates	If no register was made after warning by the relevant PRC government authorities, a fine ranging from HK$1,234 to HK$12,340 for each of the lease agreement will be imposed. As at the Latest Practicable Date, the Group may be liable to a maximum fine of HK$246,800	Nil#	Nil*	Bai Yi Commercial's Vice General Manager Mr. Cui Min	As at the Latest Practicable Date, the Group did not receive any warnings from relevant PRC government authorities. The Group will at its best endeavour to register its lease agreements.	The Internal Legal Department will be responsible for monitoring the progress of the registration of lease agreements on timely basis. If the Group experiences any delay in the registration, detailed explanation will be reported to the Board.

Regulatory non-compliance	Reason(s) for the non-compliance	The legal consequences	Financial impacts	Provisions on financial statements	Personnel involved in the non-compliance incidents	Rectification actions taken/to be taken and latest status	Measures to prevent any future breaches and ensure on-going compliance
Filing of change in shareholding	As the changes in shareholding resulting from the numerous acquisitions were insignificant and the filing procedures were considered by the Directors to be time-consuming, it has been the Group's intention to attend to the filing when the acquisition of equity interests has accumulated to over 1%	Payment of penalty of up to HK$123,400	Nil#	Nil*	Bai Yi Commercial's Vice General Manager, Mr. He Jia Quan	As at the Latest Practicable Date, the Group had made the requisite filings with the Nanning AIC and obtained the relevant approval on 9 October 2012.	The Internal Legal Department will be responsible for reviewing all material contracts, including restructuring related transactions in the PRC. If there is any acquisition of equity interests, the progress of acquisition and relevant filing progress will be reported to the Board.
Obtaining Construction Works Planning Permits	The properties were constructed before the Group acquired equity interest of Bai Yi Commercial, the holding company of the properties. The Group did not realize 10 properties were without Construction Works Planning Permits when they acquired Bai Yi Commercial.	Order to dismantle or confiscate the properties and fine up to HK$7,404, and fine for leasing out these 10 properties up to HK$37,020 per property. As at the Latest Practicable Date he Group maybe liable to a maximum fine of HK$377,604.	Nil#	Nil*	Bai Yi Commercial's Vice General Manager, Ms. Zhong Jia Ying	The structures constructed without Construction Works Planning Permits were dismantled in May 2012. Since the non-compliance is rectified, it is unlikely that any administrative penalty will be imposed on the Group.	The Internal Legal Department, and the external legal advisors will review all documents in respect of the acquisition of investment properties to ensure the proper compliance of all relevant rules and regulations by the acquired investment properties.

Regulatory non-compliance	Reason(s) for the non-compliance	The legal consequences	Financial impacts	Provisions on financial statements	Personnel involved in the non-compliance incidents	Rectification actions taken/to be taken and latest status	Measures to prevent any future breaches and ensure on-going compliance
Change in GFA of refurbishment project	Due to the refurbishment and renovation of *Wan Guo Shopping Mall*, the transformation has created more usable space that the Group initially estimated	A fine of HK$12,340 was ordered	HK$12,340	HK$12,340	N/A. The non-compliance matter was resulted from the government's issuance of a revised certificate with shortfall of GFA	The Group has applied for and obtained the Construction Works Planning Permit and the Construction Planning Completion and Acceptance Certificate for the reconstruction.	The Internal Legal Department will be responsible to report the GFA of each of the Group's projects and assess if property ownership certificate should be re-issued. The Company may seek for further advice from external legal advisors to ensure the proper compliance of rule and regulations (if necessary).
Change in GFA of Yu Feng Plaza	During the interior construction, the Group was not aware that part of the petition was performed on Subsurface Space	Payment of fine of up to HK$129,234	Nil#	Nil*	Golden Yu Feng's Vice General Manager, Mr. Cui Min	The Group has communicated with relevant PRC government authorities for guidance on rectifying the non-compliance and taken steps to proceed to apply for necessary permits.	The Internal Legal Department will be responsible to measure and report the GFA of each of the Group's projects and assess if property ownership certificate should be re-issued. The Company may seek for further advice from external legal advisors to ensure compliance of rules and regulations if necessary.

No fine were imposed by relevant government authorities.

* BDO Limited, the Company's reporting accountant, after taking into account the PRC Legal Advisor's opinion, considered that possibility of relevant fine to be remote and/or the amount is not material as such no provision was made for the possible fines.

Laying of audited accounts within the statutory time limit

The Company's Hong Kong subsidiaries, Leepark Holdings and Leepark (Netherlands), have failed to lay their audited accounts for the years ended 31 December 2006, 31 December 2007, 31 December 2008 and 31 December 2009 for approval at the annual general meetings within the statutorily time limit and in a manner prescribed under sections 122(1) and 122(1A) of the Companies Ordinance. The omissions were principally due to unfamiliarity of the directors of Leepark Holdings and Leepark (Netherlands) with the statutory requirements.

Unless a court order allowing an extension of time for the laying of the audited accounts as required under sections 122(1) and 122 (1A) of the Companies Ordinance is obtained, the director of Leepark Holdings or Leepark (Netherlands) (as the case may be) who failed to take reasonable steps to ensure that the audited accounts are laid at the annual general meetings commits an offence and is liable to a maximum fine of HK$30,000 and a summary prosecution under the Companies Ordinance. On 26 April 2012, the High Court of Hong Kong granted court orders allowing formal extension of the time within which compliance should be made and no sanction was imposed. As at the Latest Practicable Date, the Group had complied with the court orders and the non-compliance was rectified.

Qualification of property management enterprise in the PRC

Golden Yu Feng, a PRC subsidiary of the Company that provides property management services, was, prior to 6 July 2011, qualified as a Class 3 property management enterprise. Under this Class 3 qualification, certain restrictions based on the construction area of the property management projects which an enterprise can undertake would be applicable to Golden Yu Feng. During the Track Record Period up to 6 July 2011, Golden Yu Feng had breached the restrictions. The cause of incident arose from a property management service agreement entered into in September 2009 by Golden Yu Feng with one of its clients pursuant to which Golden Yu Feng was engaged to provide property management services to a non-residential property comprising 12 blocks of building with a total GFA of 66,195 sq.m. As the 12 blocks of building was then intended by the owner of the non-residential building to be delivered to Golden Yu Feng for management by "stages", Golden Yu Feng did not realize at the relevant time that the then accumulated GFA that it managed had exceeded the GFA of 50,000 sq.m. as statutorily allowed for a Class 3 qualification property management enterprise like itself. As advised by the PRC Legal Advisor, and according to the PRC laws, in the event that any property management enterprise undertakes a project of property management with construction area beyond its qualification class, the administrative department of real estate of the local people's government at the county level or above may give the enterprise a warning and order it to rectify the breach within a time limit. The said enterprise may be liable to a fine ranging from RMB10,000 (equivalent to HK$12,340) to RMB 30,000 (equivalent to HK$37,020). The Directors have confirmed that, as at the Latest Practicable Date, no such penalty had been imposed by the relevant PRC government authorities or any notice or documents in respect of such penalty has been received. Golden Yu Feng had lodged an application with the relevant PRC authority to upgrade its qualification class and was awarded the Class 2 qualification on 6 July 2011. Accordingly, the non-compliance was rectified by the Group as at the Latest Practicable Date.

Registering the lease agreements in the PRC

During the Track Record Period, 62 lease agreements in respect of certain investment properties in the PRC held or leased by the Group were not registered or registrable at the relevant PRC government authorities due to, among other reasons, the non-fixed term nature of the lease agreements, the refusal of the counterparties to effect registration or the lack of the relevant building ownership certificates. During the Track Record Period, the revenue derived from such 62 tenancies amounted to approximately RMB3.3 million (equivalent to approximately HK$4.1 million), RMB5.8 million (equivalent to approximately HK$7.2 million) and RMB3.9 million (equivalent to approximately HK$4.8 million) for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012. The expiry dates of these 62 lease agreements range from 30 September 2012 to 18 January 2020. The Group had secured registration of some of these lease agreements as at the Latest

Practicable Date and will arrange registration of the remaining lease agreements as soon as possible once obtaining the agreement to registration by the counterparties or as the case may be, when they become registrable. As the corrective actions could not be done unilaterally by, or are not entirely within the control of, the Group, the Group is not in a position to estimate the timeframe required to complete the rectification. The PRC Legal Advisor is of the opinion that, subject to the obtaining of the necessary documents in support of the registration of the lease agreements as required under the applicable PRC laws and/or by the relevant local authority in Nanning City, it does not envisage that there will be any legal impediment in respect of the registration of the lease agreements. As further advised by the PRC Legal Advisor, the failure in effecting registration of a lease agreement will not per se affect the validity of the lease agreement itself but the Group could be held liable to a fine ranging from RMB1,000 (equivalent to HK$1,234) to RMB10,000 (equivalent to HK$12,340) for each lease agreement which is not registered after the Group is being warned by the relevant PRC government authorities. Based on 20 lease agreements which were not registered as at the Latest Practicable Date, the Group may be liable to a maximum fine of RMB200,000 (equivalent to HK$246,800). As at the Latest Practicable Date, the Group had not received any such warnings from the relevant PRC government authorities.

The Group will disclose the progress of the registration of applicable lease agreement in the interim/annual reports to be issued by the Company subsequent to the Listing. If the Group experiences any delay in the registration, detailed explanation will be disclosed in the interim/annual reports of the Company.

Filing of change in shareholding

As at the Latest Practicable Date, the Company's PRC subsidiary, Bai Yi Commercial, had failed to file the change in certain minority shareholdings with the Nanning AIC during the Track Record Period. As advised by the PRC Legal Advisor, should there be any change in shareholding and such change is not filed properly, the relevant registration authorities may order that the failure be rectified. In the event that any enterprises still fail to file the relevant change after being ordered to do so, a non-recurring fine ranging from RMB10,000 (equivalent to HK$12,340) to RMB100,000 (equivalent to HK$123,400) may be imposed by the registration authorities. Leepark Business Service and a shareholder of Bai Yi Commercial acquired approximately 0.2536% in total of the equity interests in Bai Yi Commercial from minority shareholders in 2009, 2010 and 2012. The reasons for the non-registration was that, it had been the Group's intention to increase its shareholdings in Bai Yi Commercial by acquiring additional equity interests held by numerous and scattered minority shareholders. Since most of the shareholdings of these minority shareholders were insignificant (less than 0.26% in total) and the filing procedures with the Nanning AIC procedure were considered by the Directors to be time consuming if the filing of each of the numerous acquisitions was done as and when it was made, the Group then therefore decided to attend to the filing with the Nanning AIC only when such acquisition of equity interests has accumulated to over 1.0%. In the event that an order is made by Nanning AIC for the above delay in registration within a specific period, Leepark Business Service may be liable to the payment of a penalty of up to RMB100,000 (equivalent to HK$123,400). As at the Latest Practicable Date, the Group had made the requisite filings of the above changes in minority shareholders with the Nanning AIC and obtained the relevant approval on 9 October 2012.

Obtaining Construction Works Planning Permits

The Company's PRC subsidiary, Bai Yi Commercial, has failed to apply for and obtain the Construction Works Planning Permit for a number of properties.

Pursuant to the PRC laws, if a construction project had proceeded without obtaining the Construction Works Planning Permit, the competent department of urban and rural planning of the local people's government at or above the county level shall order the developer to stop construction. If it is still possible for the construction entity to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it to take such measures, within a certain time limit and impose a fine of not less than 5.0% the construction cost but not more than 10.0% of the cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity to dismantle the building or structure within a certain time limit, and if it is impossible to dismantle, the department shall confiscate the real objects or the illegal gain and may also impose a fine of not more than 10.0% the construction cost.

As confirmed by the Company, 10 properties totalling 132 sq.m. were built without obtaining the Construction Works Planning Permit which were leased as retail units by the Group during the Track Record Period. For the two financial years ended 31 December 2010 and 2011, the rental income generated from these 10 properties were approximately RMB71,575 (equivalent to approximately HK$88,324) and RMB43,750 (equivalent to approximately HK$53,988) respectively. These properties were rented out by the predecessor-in-title before the Group acquired the equity interest in Bai Yi Commercial. The Group did not realize that these properties were without Construction Works Planning Permit when they acquired these properties and continued to lease them out as its predecessor-in-title did. The construction engineering cost estimates of which were no more than RMB 60,000 (equivalent approximately HK$74,040). The PRC Legal Advisor therefore is of the opinion that, the competent construction planning authority may order to dismantle or confiscate these 10 properties and impose a fine of not more than RMB 6,000 (equivalent to HK$7,404). The Directors are of the view that the storefronts are not main business properties of Bai Yi Commercial. As a result, even if the such properties were ordered to be dismantled or confiscated, the action would not result in material adverse effect on the Group's business.

Pursuant to the PRC laws and regulations, where a party leases out illegal properties, the relevant real estate management authority may order it to make corrections within a time limit. If there were illegal gains, a fine ranging from one to three times the illegal gains, up to RMB30,000 (equivalent to HK$37,020), may be imposed. In respect of these 10 properties, the maximum aggregate amount of fine that may be imposed on the Group would be no more than RMB300,000 (equivalent to HK$370,200). To rectify the non-compliance, the Group took the initiative to (i) cancel the temporary leases and ceased all leasing arrangement before 31 July 2011 and (ii) had the illegal structures dismantled in May 2012. The PRC Legal Advisor is of the opinion that, since the non-compliance is rectified before any administrative actions were taken by the relevant competent authorities and in practice, it is unlikely that the Group will be imposed any administrative penalty afterwards.

Change in GFA of refurbishment project

The refurbishment and renovation of the self-owned property of the Group, Wan Guo Shopping Mall* (萬國商場) (now renamed as Yu Feng High Street* (裕豐高街)) has not only transformed the shopping mall into a versatile complex, the façade, spatial and compact design has also created more useable space than initially estimated. Completion of the refurbishment project has resulted in an increase in the total GFA from 4,690 sq.m. to approximately 7,484 sq.m.

The refurbishment and renovation proposal (the "Proposal") (which contains the layout design and certain data of measurement of the shopping mall following completion of its refurbishment and renovation) was submitted by the Group to NPAB for approval prior to the commencement of the refurbishment and renovation work and in-principle consent to the Proposal was granted by the NPAB to the Group on 9 March 2011.

Given that the refurbishment and renovation, which constitutes a "reconstruction" under the applicable PRC laws and regulations, has resulted in the total GFA as stated in the property ownership certificate of Yu Feng High Street being exceeded, Bai Yi Commercial had taken the following remedial actions:

(1) applied to, and obtained from NPAB the Construction Works Planning Permit and the Construction Planning Completion and Acceptance Certificate (which covers a total GFA of 7,484 sq.m.) on 22 February 2012. Notwithstanding the inspection then carried out by NPAB transpired that the refurbished Yu Feng High Street had a total GFA which is, according to NPAB's own standard of measurement, slightly more than the total GFA of 7,484 sq.m. as measured and submitted by the Group to NPAB, NPAB did not request the Group to take any further or rectification action. As regards the reconstruction which leads to the increase in GFA of Yu Feng High Street and before the issue of the above permit and certificate, the NPAB had issued the Administration Punishment Decision ([2012] No. 026) and ordered a fine of RMB10,000 (equivalent to HK$12,340) to be paid by the Group which was fully complied with; and

(2) applied to NHSREMB for a new property ownership certificate.

During the course of application for the new property ownership certificate in relation to Yu Feng High Street after completion of its refurbishment, NHSREMB considered it fit and requested the Group to surrender the then existing property ownership certificates (seven in total) in respect of No. 113 Minsheng Road (at which the refurbished Yu Feng High Street is located) and certain peripheral sites situated at No. 107 and No. 107-1 Minsheng Road (the ownership of which all belong to the Group) for cancellation with the intention to issue one "jumbo" new property ownership certificate to the Group. A new property ownership certificate (no. 02218329) was subsequently issued on 11 May 2012.

In the new property ownership certificate, NHSREMB certifies that the refurbished Yu Feng High Street and the peripheral sites have a total GFA of 8,254 sq.m., but the GFA approved to be covered by the new property ownership certificate is stated as 7,484 sq.m. only, (a shortfall of approximately 770 sq.m. in GFA). In light of the discrepancy, the Company has verbally liaised with relevant PRC authorities with a view to resolving the issue regarding the lack of proper property ownership certificate to cover the shortfall. As at the Latest Practicable Date, according to DTZ, the property valuer, no value was recorded for the shortfall of approximately 770 sq.m. in GFA. The PRC Legal Advisor is of the view that, given that the conundrum regarding the lack of proper property ownership certificate to cover the shortfall of about 770 sq.m. in GFA is not caused by the action or inaction on the part of the Group but is more of an administrative and procedural issue for, and is dependent on how, the relevant PRC authorities will deal with the matter, it is not in a position to opine on whether or not there is any foreseeable legal impediment.

For the financial year ended 31 December 2011 and for the six months ended 30 June 2012, the rental income generated from the leasing of the excess GFA was approximately RMB308,009 (equivalent to approximately HK$380,083) and approximately RMB1.2 million (equivalent to approximately HK$1.5 million). No rental income was generated from the leasing of the excess GFA for the year ended 31 December 2010 as Yu Feng High Street was still under renovation. The PRC Legal Advisor is of the opinion that, as the GFA which is yet to be covered by a property ownership certificate was issued with valid Construction Planning Completion and Acceptance Certificate, the Group is entitled to (i) use or let the leasable area within such GFA and (ii) the rental income generated from such leasable area, which is not subject to forfeiture. The legality of the lease agreements involving such leasable area will not be affected notwithstanding the absence of a proper title certificate.

The Group will disclose the progress of the obtaining the property ownership certificate for the shortfall GFA in the interim/ annual reports to be issued by the Company subsequent to the Listing. If the Group experience in any delay in obtaining the property ownership certificate for the shortfall GFA, detailed explanation will be disclosed in the interim/ annual reports of the Company.

Change in GFA of Yu Feng Plaza

During the development of Yu Feng Plaza, some additional subsurface space with a total GFA of approximately 354 sq.m. (the "Subsurface Space") were formed. Although the Subsurface Space is within the area covered by the land use right certificate granted to Yu Feng Real Estate, it is not covered in the property ownership certificate in respect of Yu Feng Plaza. The Group has made use of the Subsurface Space and converted it into two shops for leasing. As advised by the PRC Legal Advisor, the Group should have applied to NPAB for the Construction Works Planning Permit for the conversion of the Subsurface Space in order to obtain a new property ownership certificate that covers the existing GFA of Yu Feng Plaza as well as the Subsurface Space. The failure of the Group to take the proper procedures for obtaining the Construction Works Planning Permit may render the Group to be liable to an order of restoring the Subsurface Space to the original state and a fine of not less than 5.0% but not more than 10.0% of the construction costs (which fine is estimated to be not more than approximately RMB44,728 (equivalent to approximately HK$55,194). Further, the Group may also be held liable to a maximum fine of RMB60,000 (equivalent to approximately HK$74,040) for their leasing out of the two shops. As with the approach taken by the Group in the change in GFA of its refurbishment project (namely Yu Feng High Street) as disclosed above, the Group has verbally communicated with the relevant PRC governmental authorities for guidance on rectifying the non-compliance and taken steps to proceed to apply for the necessary permits (including the Construction Works Planning Permit, the Construction Planning Completion and Acceptance Certificate and eventually a new property ownership certificate covering the Subsurface Space) in June 2012. As the application process is estimated by the Directors to take about six months upon submitting the application, the Group expects, barring any unforeseen circumstances, to obtain the new property ownership certificate by the end of June 2013. In the event that the relevant PRC governmental authorities do not grant any of the necessary permits to the Group, the Group may be ordered to restore the Subsurface Space to its original state. The Group will then have to cease the leasing of the Subsurface Space and no rental income will be generated therefrom following the cessation of the leases. The PRC Legal Advisor envisages that, so long as the Group follows the guidance of the PRC governmental authorities and complies with any order made by the relevant PRC governmental authorities for the non-compliance and the applicable legal procedures to rectify the non-compliance, there will be no legal impediments to the obtaining of the new property ownership certificate covering the Subsurface Space by Yu Feng Real Estate in respect of Yu Feng Plaza.

According to the Notice on Strengthening the Administration of State-owned Land Assets* (國務院關於加强國有土地資產管理的通知) issued by the State Council, for the lands offered by grant, the change of land use or plot ratio shall be subject to additional land premium if applicable. As confirmed by the Directors, the conversion of the Subsurface Space did not constitute the change of the approved purpose of land use or the change in the plot ratio, therefore the PRC Legal Advisor is of the opinion that the probability of Yu Feng Real Estates to pay additional land premium for the additional subsurface space is low.

According to the Planning and Administration Specifications of Nanning City (2011 Edition)* (南寧市城市規劃管理技術規定(2011年版)), the plot ratio of a site is defined as the ratio of the total above-ground floor area of the building(s) to its site area. Having, considered that the additional subsurface space was under-ground rather than above-ground floor area, the PRC Legal Advisor is of the opinion that the conversion of the subsurface space does not constitute a change in plot ratio of Yu Feng Plaza.

In addition, as confirmed by the Directors, the subsurface space has been converted into two shops for leasing, the usage of the subsurface space conforms to one of the land use purpose originally approved for Yu Feng Plaza, that is, commercial purpose.

Therefore, the PRC Legal Advisor is of the opinion that the conversion of the subsurface space does not constitute a change of approved purpose of land use of Yu Feng Plaza.

For the two financial years ended 31 December 2010 and 2011, the income generated from the leasing of the Subsurface Space were approximately RMB346,044 (equivalent to approximately HK$427,018) and RMB474,689 (equivalent to approximately HK$585,766) respectively. For the six months ended 30 June 2011 and 2012, the income generated from leasing the Subsurface Space were approximately RMB227,288 (equivalent to approximately HK$280,473) and RMB229,171 (equivalent to approximately HK$282,797) respectively.

The PRC Legal Advisor advises that, according to Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings* (最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋), where an agreement concerning the leasing of a property is considered invalid and the lessor makes a claim or petition to seek an order from the PRC court allowing the lessor to demand the lessee (as the occupier) to pay an occupier's fee for the use of or occupying the property concerned by reference to the rate of rental agreed, the PRC court is generally expected to uphold such claim and support the petition. On this basis, therefore, even if the lease agreements in respect of the leasing of the Subsurface Space of Yu Feng Plaza are invalid, the Group is entitled to the rental income generated therefrom and the likelihood of forfeiture of such right of the Group by the PRC court is remote.

The Group will disclose the progress of the obtaining the property ownership certificate in the interim/annual reports to be issued by the Company subsequent to the Listing. If the Group experiences in any delay in obtaining the property ownership certificate, detailed explanation will be disclosed in the interim/annual reports of the Company.

As advised by the PRC Legal Advisor, save as disclosed above, the Group has complied with all relevant PRC regulatory requirements and obtained the approvals, licences and permits necessary for its operations.

Having considered that facts and circumstances leading to the non-compliance incidents, the Directors are of the view that and the Sole Sponsor concurs the suitability of the Directors under GEM Listing Rules 5.01, 5.02 and 11.07 and the Group's suitability for listing under GEM Listing Rule 11.06.

Ongoing compliance

In order to prevent recurrence of non-compliance in the future, to ensure the on-going compliance with relevant regulatory requirements after Listing, and as a step to strengthen its corporate governance, the Group will implement or has adopted the following internal control measures:

(a) establish an organizational corporate compliance framework with a reporting relationship to the Board. In this respect, the Group has designated (i) Mr. Cheng Bun ("**Mr Cheng**") (an executive Director and the Company's compliance officer) and Mr. Ho Cheuk Wai ("**Mr Ho**") (the Company's financial controller and the company secretary) to act as the principal channel of communication between members of the Group and the Board (who are and will be provided by the Group with unrestricted access to all resources, internal and external, which they consider necessary and appropriate) to assist the Board in identifying, assessing and managing the risks associated with the operation of the Group;

(b) adopt a new set of internal control manual and policies (which cover corporate governance, operations, management, legal matters, finance and audit), subject to regular review to cater for the needs of the Group;

(c) seek proactive identification of any concerns and issues relating to potential non-compliance by providing guidance to the management of all departmental levels regarding the need for preventive and self-check measures to ensure compliance with all applicable laws and regulations;

(d) establish effective lines of communication and provide a process by which an employee can identify and report potential non-compliance exposures, and report promptly the detected problems and undertake corrective measures;

(e) develop and coordinate ongoing training to the Directors, all levels of management, staff and employees of the Group;

(f) the Group has retained and will continue to retain established external PRC legal advisers to work closely with the internal legal department of the Group (which is currently headed by Mr Cheng and will be co-headed by a qualified PRC lawyer with at least 5 years' qualification to be appointed by the Group upon and shortly upon Listing and comprises four members (including personnel in the accounting and legal disciplines) on PRC legal and regulatory compliance matters in relation to the Group's operation;

(g) the Company will appoint three independent non-executive Directors, one of them is a practicing solicitor and two of them are practicing certified public accountants in Hong Kong. Their professional qualifications and depth of experience in legal, auditing, financial management, corporate finance and legal and regulatory matters could assist the Group in meeting its compliance with the applicable laws and regulations on a continuous basis;

(h) the Company will appoint Haitong International Capital as its compliance advisor upon Listing to advise the Group on compliance matters in accordance with Rule 6A.19 of the GEM Listing Rules;

(i) the Company will appoint a professional independent consultant to provide internal audit/control review upon or shortly after Listing;

(j) the Company will appoint additional professional advisers to advise on legal and regulatory compliance issues prior to or shortly after Listing to advise on legal and regulatory compliance issues as and when appropriate and necessary;

(k) conduct ongoing review of the human resources policies to ensure sufficient manpower is in place to effectively implement the internal control measures and policies of the Group.

Taking into account (i) Mr. Cheng's broad familiarity of, and active involvement in, the day-to-day business operation of the Group, his knowledge of the laws, rules and regulations applicable to the Group gained and accumulated over the tenure of his almost 20 years of service with the Group and his proven working ability and leadership in coordinating different departments of the Group; (ii) Mr. Ho's past experience in, among others, financial management, financial reporting and control matters; and (iii) the resources made and to be made available by the Group to them, the Board and the Sole Sponsor consider that Mr. Cheng and Mr. Ho are capable to carry out their respective roles designated by the Group to them.

In view of the enhanced internal control, the Directors and the Sponsor are of the view that the Group's enhanced internal control measures are adequate and effective in respect of the compliance with Rule 6A.15(5) of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to shareholders and protecting and enhancing shareholder value through solid corporate governance. The Company has followed the principles of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules by adopting the code provisions and certain recommended best practices set out in the CG Code, including those that have already been effective on 1 April 2012, as its own code of corporate governance except for the deviation from the code provision A.2.1 of the CG Code.

Pursuant to the code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and not be performed by the same individual. Dr. Lee acts as both the chairman and the chief executive officer of the Company. The Directors are of the view that, given that Dr. Lee has been primarily responsible for leading the strategic planning and business development of the Group, the current arrangement would provide the Company with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies. In addition, Dr. Lee's involvement in the Nanning property market industry would enable the Group to tap into the latest market development. The Directors consider that the current arrangement is overall beneficial to the management and development of the Group's business.

LABOUR AND SAFETY

In respect of labour protection, applicable relevant laws and regulations mainly include the PRC Labour Law* (中華人民共和國勞動法), PRC Labour Contract Law* (中華人民共和國勞動合同法) and PRC Labour Dispute Mediation and Arbitration Law* (中華人民共和國勞動爭議調解仲裁法), Opinions on Several Questions Concerning the Implementation of the Labour Law* (關於貫徹執行<中華人民共和國勞動法>若干問題的意見), Interpretation of Questions Relating to Labour Contract on Implementation of the Labour Law* (實施<勞動法>中有關勞動合同問題的解答), Provisions on Minimum Wages* (最低工資規定), Provisions on Collective Contracts* (集體合同規定), the Trial Procedures for Childbirth Insurance for Enterprise Employees* (企業職工生育保險試行辦法), Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees* (國務院關於建立城鎮職工基本醫療保險制度的決定), Provisional Regulations on the Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例) which was replaced by the PRC Social Insurance Law* (中華人民共和國社會保險法) on 1 July 2011, Regulations on Work-Related Injury Insurance* (工傷保險條例), Regulations on Unemployment Insurance* (失業保險條例), Decision of the State Council on Establishing a Uniform Basic Old-Age Insurance System for Enterprise Employees* (國務院關於建立統一的企業職工基本養老保險制度的決定), the Regulations on the Management of the Housing Provident Fund* (住房公積金管理條例) and the PRC Social Insurance Law coming into effect on 1 July 2011. The aforementioned laws and regulations set forth relevant provisions on labour contracts, collective contracts, working hours, rest and vacation, wages, the special protection of female and juvenile employees, social insurance and welfare for employees of the Group.

In respect of labour safety, the Group, as a property developer, has limited potential liabilities to workers at its construction sites as the workers are engaged directly by the Group's construction contractors who are required to subscribe to insurance coverage for its workers as a condition of their engagement with the Group. Under the Construction Law of the PRC* (中華人民共和國建築法), a contractor assumes responsibility for the site, and subcontractors are required to comply with safety measures adopted by the main contractor.

During the Track Record Period, there was no material violation of currently applicable PRC labour, health and safety regulations, nor were there any material employee safety issues involving the Group.

ENVIRONMENTAL MATTERS

Property developers in China are subject to PRC environmental protection laws and regulations as well as environmental regulations promulgated by local governments, including, but without limitation to, the PRC Environmental Protection Law* (中華人民共和國環境保護法), the Law of the PRC on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (中華人民共和國固體廢物污染環境防治法), the Law of the PRC on Prevention and Control of Noise Pollution* (中華人民共和國環境噪聲污染防治法), the Law of the PRC on Environmental Impact Assessment* (中華人民共和國環境影響評價法), Administrative Regulations on Environmental Protection for Development Projects* (建設項目環境保護管理條例) and the Measures of Administration on Environmental Protection for Acceptance Examination Upon Completion of Buildings* (建設項目竣工環境保護驗收管理辦法). Please refer to the Appendix IV to this prospectus regarding the environmental protection laws and regulations in the PRC. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is material change in the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. In the course of construction, the property developer must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, the Group contracts its construction works to Independent Third Parties and, pursuant to the terms of the construction contracts, such contractors or subcontractors are required to comply with the relevant laws and regulations of environmental protection and production safety issued by the relevant government authorities.

The Group confirms with all relevant local environmental protection bureaus that it is in compliance in all material respects with applicable environmental protection laws and regulations in China during the Track Record Period. As of the Latest Practicable Date, the Group had not experienced any problems in the inspections conducted by the relevant environmental protection authorities upon handover of the properties.

INTELLECTUAL PROPERTY

The Group has registered with the PRC Trademark Office* (中華人民共和國國家工商行政管理總局商標局) for the registration of the trademarks of Yu Feng Plaza and in the name of Golden Yu Feng. The trademarks are valid until the expiry of the relevant trademark registrations. The Group is also the owner of the domain name of “*www.southwesteco.com*”.

For more information on the Group’s intellectual property rights, please refer to the sub-paragraph headed “Registered trademarks” as set out in the paragraph headed “Intellectual property rights of the Group” in Appendix VI to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, to the best of knowledge of the Directors, the Group did not infringe any third parties' intellectual property rights and was not aware of any incidents that might infringe its intellectual property rights.

COMMITMENTS TO THE COMMUNITY

In October 2008 the Group established the "Lee Kai-Hung Green Building Scholarship* (李啟鴻綠色建築獎學金)", with the objective of educating the younger generation of Nanning as to the importance of environmental preservation, energy saving, and other such "green" issues. The scholarship is offered by the Group and managed jointly by Yu Feng Real Estate and Nanning Education Fund* (南寧市教育基金會), an independent charitable organisation founded in the city of Nanning that is not otherwise associated in any way with the Group. The scholarship is offered to students of PRC universities, Guangxi University (廣西大學), and high schools and primary schools in the city of Nanning who take up studies and other education pursuits in such areas as environment protection, energy saving, environmental friendly building technologies.

CONTINUING CONNECTED TRANSACTION

During the Track Record Period, the Group had entered into a transaction with a counterparty who will become a Connected Person of the Company immediately upon the Listing. The transaction will continue after the Listing on a continuing or recurring basis and will therefore constitute continuing connected transaction for the Company under the GEM Listing Rules.

Continuing connected transaction not subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules

Tenancy agreement between Leepark Holdings and Pharma Frontiers Limited ("Pharma Frontiers")

Background, reason for the transaction and transaction terms

During the Track Record Period, Pharma Frontiers used and occupied the Office (as defined below) as part and parcel of certain management services provided by the Group to Pharma Frontiers. Pharma Frontiers is a company incorporated in Hong Kong and is solely owned by Dr. Elaine Eick, an executive Director and a Controlling Shareholder of the Company and hence a Connected Person of the Company. The principal activity of Pharma Frontiers is medical communication.

The use and occupation of the Office by Pharma Frontiers will continue upon and immediately after the Listing and will constitute continuing connected transaction for the Company.

Under the service contract dated 23 November 2012 entered into by the Company for the appointment of Dr. Elaine Eick as the executive Director, Dr. Elaine Eick is to devote substantially the whole of her time during normal business hours to the Group. After normal business hours, Dr. Elaine Eick is free to devote her time to other matters, including those of Pharma Frontiers. During the Track Record Period, Dr. Elaine Eick worked at the Office most of the time after office hours to take care of the business of Pharma Frontiers and those of the Group as and when necessary. The Directors believe that the leasing arrangement is therefore to the benefit of the Group in that the Group will then be able to secure the time and attention of Dr. Elaine Eick to the business of the Group after normal business hours as and when necessary on the one hand and to generate rental income to the Group from its surplus office space on the other hand. The continuation of the leasing arrangement is therefore to the benefit of the Group and will be continued upon and after the Listing.

The date and the principal terms of the tenancy agreement (the "**Tenancy Agreement**") entered into between Leepark Holdings as landlord and Pharma Frontiers as tenant in relation to the leasing of the Office are set out below:

Date of the Tenancy Agreement	:	17 October 2011
Parties	:	Leepark Holdings as landlord and Pharma Frontiers as tenant
Premises let under the Tenancy Agreement	:	A portion of the office premises with a saleable area of approximately 515 sq.ft. (equivalent to approximately 48 sq.m.) (the "**Office**") located at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (the "**Property**") with a total saleable area of approximately 1,029 sq.ft. (equivalent to approximately 96 sq.m.)
Term of letting	:	3 years from 1 May 2011 to 30 April 2014
Monthly rental	:	HK$22,000
Rental deposit	:	HK$22,000
Termination	:	The Tenancy Agreement can be terminated by either party giving not less than 30 days' written notice to the other party to that effect
Miscellaneous terms	:	Each of the landlord and the tenant is to pay half share of the rates, Government rent, management fees and electricity charges payable in respect of the Property
Supplement	:	The Tenancy Agreement is supplemented by an addendum dated 28 May 2012 whereby Pharma Frontiers agreed not to assign, sub-let, transfer, part with or share with any third party possession of the Office or any part thereof and not to make any alteration or additions to the Office without the previous written consent of Leepark Holdings as landlord.

DTZ has confirmed that the rental in respect of the Office represents the market rental prevailing at the commencement of the tenancy. DTZ has adopted the direct comparison approach assuming letting of the property in its existing state by making reference to comparable transactions as available in the market.

Historical transaction amounts

The amounts paid to Leepark Holdings by Pharma Frontiers which were attributable to the use and occupation of the Office during the Track Record Period are as follows:

Year ended 31 December		Six month ended 30 June
2010	**2011**	**2012**
HK$	*HK$*	*HK$*
—	176,000	132,000

GEM Listing Rules' implications

Pharma Frontiers is a company wholly owned by Dr. Elaine Eick, an executive Director and a Controlling Shareholder of the Company, and is therefore an associate of a Connected Person (i.e. Dr. Elaine Eick) of the Company and a Connected Person of the Company according to Rules 1.01 and 20.11 of the GEM Listing Rules. As the Tenancy Agreement will be carried out on a continuous basis with a Connected Person as the counterparty, the Tenancy Agreement will, immediately following the Listing, constitute a continuing connected transaction for the Company under Rule 20.14 of the GEM Listing Rules.

On the basis that each of the percentage ratios (other than the profits ratio) under Rule 19.07 of the GEM Listing Rules on an annual basis is less than 0.1%, the transaction contemplated under the Tenancy Agreement will not be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Confirmations from the Directors

In the opinion of the Directors (including the independent non-executive Directors), the Tenancy Agreement has been entered into under normal commercial terms and in the ordinary and usual course of business, and the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES

From the time when Dr. Lee founded the Group in 1993, his vision was to engage in the property development and management businesses that emphasise on providing quality, comfort, and, above all, environmental friendliness. Throughout its years of operating in Nanning, the Group has adopted this vision of equating quality to comfortable living. Since 2007, as the Group began to gain knowledge in the application of green technologies to its building development and management, in developing Fond England, the Group has burnished its reputation as a quality property operator.

The Group's business objectives are to expand its (i) property leasing, (ii) property related management and consultancy, and (iii) property development by application of green technology, including the operation and management of featured theme shopping mall, commercial and residential properties and the development of property projects with a green-focus.

BUSINESS STRATEGIES

The Group intends to implement key strategic initiatives to achieve the above business objectives in accordance with the schedule as set out under the sub-section headed "Implementation plans" in this section. The key strategic initiatives that the Group plans to implement in the near future are as follows:

Continue to develop featured theme shopping mall

The Group intends to continue to focus on the development of featured theme shopping mall to leverage their experience in the Nanning property leasing industry. The Group considers that the concentration of common theme retailers in one area can provide a common marketing platform and brand recognition for retailers and further believes that the common theme promotes longer lease terms tenancies and rental yield.

Continue to develop the Group's property development project with a green-focus

By focusing on the approach to build a green environment in its property development business for its next 2 years, the Group will continue to develop Phase 2 of Fond England and to carry out the property development project of Li Yuan Project.

Phases 2 of Fond England

The construction of Phase 2 of Fond England commenced in 2008 and is expected to be completed in the first quarter of 2013. The Group has been applying and upgrading the green technologies to the development of Fond England. The total estimated investment costs required for Phase 2 of Fond England under development are approximately HK$126.5 million including the land premium of approximately HK$5.0 million. As at the Latest Practicable Date, the accumulated development costs paid for Phase 2 of Fond England under development was approximately HK$104.4 million. It is expected that, the development cost of approximately HK$3.8 million will be payable for the year ending 31 December 2012 and the remaining will be settled in 2013. The Group expects to use its internal funds and the proceeds from sales and pre-sales of Fond England to finance the remaining unpaid development cost.

Li Yuan Project

Li Yuan Project is planned to be developed into a residential and commercial complex with a total GFA of approximately 46,792 sq.m., consisting of 360 residential units with a total GFA of approximately 32,719 sq.m., retail units with a total GFA of approximately 3,579 sq.m., parking spaces with a total GFA of 9,735 sq.m. and public facilities with a total GFA of approximately 759 sq.m. As of the Latest Practicable Date, the Group has the following implementation plan on the green property development of the Li Yuan Project:

Year	**Description**
From April 2011 up to May 2012	- Preparation for architectural and layout plans - Completion of the feasibility study on applying green technologies and environmental preservation policies by following the Green Building Standards and the Technical Standards for PARB - Computerised simulation of ventilation, daylighting, sunlight analysis, outdoor air flow analysis - Engage various professional and consultancy services - Preliminary assessment by professional bodies on the application of green and power conservation technologies to be used at the site and drafting Green Building feasibility studies - Revising and optimising architectural design based on the Green Building and Technical Standards for PARB consultants' advices - Continue to revise and optimise architectural design - Assessing the applications of green and power conservation technologies and facilities to be used at the site - Approval of the Construction Land Planning Permit and the project listing approval to be obtained for the site - Engagement of general contractors and independent building administrator - Approval of the Construction Works Planning Permit and the Construction Works Commencement Permits to be obtained for the site and commencement of the construction at the site

	- Application for the registration and certification of the Technical Standards for PARB and to be used at the site
June to July 2012	- Commencement of construction works of the Li Yuan Project upon obtaining the relevant certificates
	- Continue to revise and optimise architectural and construction drawing design
November to December 2012	- Interim review and inspection of Technical Standards for PARB
January 2013	- Commencement of the pre-sales of the Li Yuan Project
May 2013	- Interim review and inspection of Technical Standards for PARB
August 2013 to April 2014	- Basic decoration to be carried out at the site
April to December 2014	- Final inspection of Technical Standards for PARB
	- Completion of the relevant filing procedures for completion inspection of construction works at the site
	- Project completion and delivery

As of the Latest Practicable Date, the Group has conducted a feasibility study on applying green technologies and environmental preservation policies at the site. The Group had signed the amended land grant contract and paid land premium in November 2011 and obtained the amended land use right certificates in December 2011. The land premium in relation to the Li Yuan Project had been paid by the Group was approximately HK$63.7 million. The Group had obtained the project listing approval, the Construction Land Planning Permits, the Construction Works Planning Permits and the Construction Works Commencement Permits as at the Latest Practicable Date. The construction of Li Yuan Project has commenced in June 2012.

According to the Directors, the total estimated investment cost for the development of the Li Yuan Project is approximately HK$304.2 million, including the land premium paid of approximately HK$63.7 million. As at the Latest Practicable Date, the total investment cost paid for the Li Yuan Project was approximately HK$99.4 million. It is expected that, the development cost of approximately HK$8.2 million will be settled in the year ending 31 December 2012, approximately HK$96.9 million will be settled in the year ending 31 December 2013 and the remaining will be settled in 2014. The Group expects to use its internal funds, the proceeds from the pre-sales of Li Yuan Project and debt financing to finance the development cost of the Li Yuan Project.

The Group will finance its property developments with internally generated funds, proceeds from sales and/or pre-sales of the Group's properties and debt financing. Following the tightening of bank liquidity and capital requirements in the PRC as part of the broader austerity measures to curb potential overheating of the real estate markets, banks has been more stringent in releasing loans. In addition, the applicable guidelines issued by CBRC has precluded the Group from obtaining bank loans to finance the pre-development costs of the Li Yuan Project in 2011 as the Construction Works Commencement Permit was yet to be issued. As the Group envisaged that its capital requirement could be significant, the availability of the entrusted loans could mitigate the pressure on capital availability and equip itself with better financial flexibility. Accordingly, the Group considered that it would be in the interests of the Group to obtain the entrusted loans and entered into two entrusted loan agreements with Independent Third Parties for loans with principal amounts of RMB 8.0 million (equivalent to approximately HK$9.9 million) and RMB 25.0 million (equivalent to approximately HK$30.9 million) to finance the preliminary development cost of Li Yuan Project. Both entrusted loans bear interest rates of 9.3% per annum with terms of one year. Please refer to the section headed "Financial information" for further details of the Group's channels of financing, indebtedness and borrowings. Given that the lenders of two entrusted loans are enterprises instead of commercial banks, the PRC Legal Advisor is of the opinion that the entrusted loan arrangement undertaken by the Company does not violate the abovementioned guidelines and other applicable laws and regulations. Except for the above reason, the Company confirmed that the Group had not encountered any difficulties in obtaining bank loan financing during the Track Record Period and up to the Latest Practicable Date.

Pursue potential acquisition opportunities or invest in the property development, property leasing and property management and consultancy industry

The Group intends to pursue potential strategic acquisition opportunities (including holding companies of investment properties and/or land reserve, property management companies or business and/or property consulting companies or business) that will complement our growth. The Group believes that pursuing such opportunities have the ability to enhance our competitiveness and market position in the property development, property leasing and property management and consultancy industry. The Group also considers acquisitions as a means to add additional quality land bank and investment properties. As at the Latest Practicable Date, no target was identified and no definitive agreement had been entered into.

Enhancing brand recognition on properties related businesses in Nanning

The Group believes that it has established Golden Yu Feng as the brand of a high-quality property manager in the city of Nanning. The Group intends to continue to devote itself to providing well-managed properties services, such as providing environmental friendly and value-added consultancy services to develop its market positioning and further enhance its brand recognition.

IMPLEMENTATION PLANS

The Directors have drawn up an implementation plan for the period up to 31 December 2014 with a view to achieve the business objectives along with the strategies as set out above. The detailed implementation plan and expected timetable are set out below.

Investors should note that the implementation plan is drawn up based on the current economic status and the assumptions as set out in the paragraph headed ''Bases and key assumptions'' below, which are inherently subject to uncertainties. Given that the Group operates in a dynamic market which is subject to rapid changes in the macroeconomic environments and consumer preferences in different markets, all of which are difficult to predict or are beyond the Group's control, the plan set out below only reflects the present intentions of the Group and may be adjusted in the future to reflect changes in market conditions. There is no assurance that the Group's business plans will materialise in accordance with the estimated time frame and that the objectives of the Group will be accomplished at all. The Directors will use their best endeavours to anticipate future changes in the market, take measures and be flexible so that the Group may stay ahead of or react timely and appropriately to such changes.

For the period from the Latest Practicable Date to 31 December 2012:

Business strategies	Implementation activities	Source of funding
Continue to develop possible potential featured theme shopping mall	➢ Conduct feasibility study on the possible potential featured theme on the shopping mall ➢ Commence market research for the possible potential featured theme on the shopping mall	To be partially funded by net proceeds of HK$0.1 million
Continue to develop the Group's property development project with a green-focus	➢ Continue developing Phase 2 of Fond England ➢ Continue the design and tendering process for the development of the Li Yuan Project	To be funded by internal funding

Business strategies	Implementation activities	Source of funding
Pursue potential acquisition opportunities or invest in the property development and property leasing industry	➢ Conduct feasibility study and/ or evaluate and explore potential acquisitions opportunities.	To be partially funded by net proceeds of HK$12.7 million
Enhancing brand recognition on properties related business in Nanning	➢ Continue to organise promotional and marketing events ➢ Develop market positioning strategies for properties owned by the Group ➢ Organise marketing events for Yu Feng Plaza 15th Anniversary ➢ Continue to provide environmentally friendly and value-added consultancy services	To be funded by internal funding

For the period from the 1 January 2013 to 30 June 2013:

Business strategies	Implementation activities	Source of funding
Continue to develop possible potential featured theme shopping mall	➢ Identify appropriate property for the establishment of possible potential featured theme shopping mall	To be funded by internal funding
Continue to develop the Group's property development project with a green-focus	➢ Complete the property development of Phase 2 of Fond England ➢ Final inspection of 2A Technical Standards for PARB for Phase 2 and 3 of Fond England ➢ Continue the property development of the Li Yuan Project ➢ Interim review and inspection of 3A Technical Standards for PARB of the Li Yuan Project	To be funded by internal funding

Business strategies	Implementation activities	Source of funding
Pursue potential acquisition opportunities or invest in the property development and leasing industry	➢ Evaluate and explore possible potential acquisitions opportunities	To be partially funded by net proceeds of HK$12.7 million
Enhancing brand recognition on properties related business in Nanning	➢ Continue to organise promotional and marketing events ➢ Continue to develop market positioning strategies for properties owned by the Group ➢ Continue to provide environmentally friendly and value-added consultancy services	To be funded by internal funding

For the period from the 1 July 2013 to 31 December 2013:

Business strategies	Implementation activities	Source of funding
Continue to develop possible potential featured theme shopping mall	➢ Confirm the location of the possible potential featured theme shopping mall ➢ Commence negotiation on the terms of the leasing agreement ➢ Select good tenant mix and sound product mix for the possible potential featured theme shopping mall ➢ Develop market positioning strategies for the possible potential featured theme shopping mall	To be partially funded by net proceeds of HK$0.1 million
Continue to develop the Group's property development project with a green-focus	➢ Continue the property development of the Li Yuan Project ➢ Launch marketing campaigns that describe the development in the Group's green technology knowledge base and other achievements in the environmental preservation commitment ➢ Continue to identify suitable location for development of property project with a green-focus	To be funded by internal funding

Business strategies	Implementation activities	Source of funding
Pursue potential acquisition opportunities or invest in the property development and leasing industry	➢ Evaluate and explore possible potential acquisitions opportunities	To be partially funded by net proceeds of HK$12.7 million
Enhancing brand recognition on properties related business in Nanning	➢ Continue to organise promotional and marketing events ➢ Continue to develop market positioning strategies for properties owned by the Group ➢ Continue to provide environmentally friendly and value-added consultancy services	To be funded by internal funding

For the period from the 1 January 2014 to 30 June 2014:

Business strategies	Implementation activities	Source of funding
Continue to develop possible potential featured theme shopping mall	➢ Decoration of the possible potential featured theme shopping mall ➢ Promote and advertise the possible potential featured theme shopping mall in multi-media and internet ➢ Commence leasing of the possible potential featured theme shopping mall	To be partially funded by net proceeds of HK$12.0 million
Continue to develop the Group's property development project with a green-focus	➢ Continue the property development of the Li Yuan Project ➢ Final inspection of 3A Technical Standards for PARB for Li Yuan Project ➢ Continue to identify suitable location for development of property project with a green-focus	To be funded by internal funding
Pursue potential acquisition opportunities or invest in the property development and leasing industry	➢ Evaluate and explore possible potential acquisitions opportunities	To be partially funded by net proceeds of HK$12.7 million

Business strategies	Implementation activities	Source of funding
Enhancing brand recognition on properties related business in Nanning	➢ Continue to organise promotional and marketing events ➢ Continue to develop market positioning strategies for properties owned by the Group ➢ Continue to provide environmentally friendly and value-added consultancy services	To be funded by internal funding

For the period from the 1 July 2014 to 31 December 2014:

Business strategies	Implementation activities	Source of funding
Continue to develop possible potential featured theme shopping mall	➢ Continue the promotion and advertising of the possible potential featured theme shopping mall ➢ Operate the leasing of the possible potential featured theme shopping mall	To be partially funded by net proceeds of HK$5.0 million
Continue to develop the Group's property development project with a green-focus	➢ Complete the property development of Li Yuan Project ➢ Continue to identify suitable location for development of property project with a green-focus	To be funded by internal funding
Pursue potential acquisition opportunities or invest in the property development and leasing industry	➢ Evaluate and explore possible potential acquisitions opportunities	To be partially funded by net proceeds of HK$12.7 million
Enhancing brand recognition on properties related business in Nanning	➢ Continue to organise promotional and marketing events ➢ Continue to develop market positioning strategies for properties owned by the Group ➢ Continue to provide environmentally friendly and value-added consultancy services	To be funded by internal funding

Note:

The total estimated investment cost for the above mentioned featured theme shopping mall is estimated to be approximately HK$17.2 million. The Group will commence development of the another featured theme shopping mall with a similar estimated investment cost upon the commencement of business operation of the above mentioned featured theme shopping mall.

BASES AND KEY ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the future plans up to 31 December 2014.

- ➢ there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong and the PRC in which the Group and its subsidiaries operate;
- ➢ the Group will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objectives relate;
- ➢ there will be no material change in the bases or rates of taxation and duties in Hong Kong and the PRC in which the major project companies of the Group operate and carry on business;
- ➢ the Placing will be completed in accordance with and as described in the section headed "Structure and conditions of the Placing" of this prospectus;
- ➢ the Directors' and key senior management's continued involvement in the development of the Group's existing and future development and the Group will be able to retain its key management and personnel;
- ➢ there are no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on the Group's business and operating activities;
- ➢ there will be no change in the effectiveness of the licences, permits and registration held by the Group;
- ➢ the Group will be able to recruit additional key project personnel and technical staff when required;
- ➢ there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by the Directors;
- ➢ the Group will not be materially and adversely affected by the risk factors as set out in the section headed "Risk factors" of this prospectus; and
- ➢ the Group will be able to continue its operation in substantially the same manner as it has been operating during the Track Record Period and the Group will also be able to carry out its implementation plans without disruptions.

AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT

During the Track Record Period and up to the Latest Practicable Date, the PRC Government had implemented a series of regulations and policies to slow down the property markets and rising property prices, and to dampen property speculation. These policies are expected to impact the Group's financial performance and to tighten the sources of funding for the Group's property developments. For more information on these regulations and policies, please refer to the sub-section headed "Risks relating to the industry" in the section headed "Risk factors" of this prospectus.

The Directors, however, confirm, that notwithstanding these austerity measures, the Group has not encountered any material difficulties in financing its development projects and consider that the current financing plans of each development project are feasible and realistic.

The introduction of these austerity measures was expected to control the availability of credit facilities to potential customers and therefore reduce the demand for the Group's developed properties. Initially, the measure adversely impacted the Group's GFA sold and revenues from sales of properties. In the first half of 2011, the Group encountered some difficulties in the pre-sales and sales of its property developments, in particular, the pre-sales of the Phases 2 and 3 of Fond England. The volume of the pre-sales of Phases 2 and 3 of Fond England dropped significantly after the introduction of these austerity measures. In response to the drop, the Group considered it expedient to defer its pre-sale schedule of Phases 2 and 3 of Fond England to the third quarter of 2011. The Directors believes that since July 2011, the property market in Nanning started to recover from these austerity measures and the Group resumed the pre-sales of Phases 2 and 3 of Fond England. As at the Latest Practicable Date, over 86.6% and 80.4% of the Group's saleable area in Phases 2 and 3 of Fond England were sold and/or pre-sold respectively and the average selling prices of the residential units pre-sold in the second half of 2011 were higher than the average selling prices in the first half of 2011.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors of the Group believe that the Placing will enhance the Group's profile, strengthen the competitiveness and financial position of the Group, and provide the Group with additional working capital to implement the future plans set out in the paragraphs headed "Business strategies" and "Implementation plans" in this section of the prospectus.

The net proceeds from the Placing, are estimated to be approximately HK$33.2 million (assuming that the Offer Size Adjustment Option is not exercised) after deducting the underwriting fees and total listing expenses payable/paid by the Company in connection thereto of approximately HK$26.1 million from the gross proceeds from the Placing, and assuming the Placing Price of HK$0.79 per Share, being the mid-point of the Placing Price range stated in this prospectus.

The Directors intend to apply the aforesaid net proceeds in the following manner:

- as to 51.8% of the net proceeds from the Placing, or about HK$17.2 million, for the development and operation of featured theme shopping mall and maintenance of other investment properties;

- as to 38.3% of the net proceeds from the Placing, or about HK$12.7 million, will be applied to the perusal of potential acquisition opportunities or invest in the property related industry (including holding companies of investment properties and/or land reserve, property management companies or business and or property consulting companies or business);

- the remaining net proceeds from the Placing, or about HK$3.3 million, will be applied as general working capital and other general corporate purposes of the Group.

The above allocation of the net proceeds from the Placing, other than the net proceeds for the development and operation of featured theme shopping mall above, will be adjusted on a pro rata basis in the event that the Placing Price is fixed at a point lower or higher than the midpoint of the indicative Placing Price range. If the Offer Size Adjustment Option is exercised in full, the Directors estimate that the additional net proceeds from the Placing of these additional Shares will be approximately HK$8.5 million, after deducting all the related expenses and assuming a Placing Price of approximately HK$0.79 per Share, being the midpoint of the indicative Placing Price range. The additional proceeds received from the exercise of the Offer Size Adjustment Option will be allocated in accordance with the above allocations on a pro rata basis. Assuming the Placing Price would be determined at HK$0.65 per Share, being the low end of the Placing Price range as stated in this prospectus, the total listing expenses payable/ paid by the Group would account for over 50.0% of the gross proceeds to be received from the Placing.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong.

The Group intends to remit the net listing proceeds from the Placing to the PRC for the above mentioned purposes in the following manner:

(a) establish a new foreign investment enterprise ("FIE") or acquire the equity interest of the existing enterprise in the PRC and apply the net listing proceeds (or any part thereof) towards the contribution to the registered capital of the new FIE or the consideration to the vendors of the acquired enterprises; or

(b) increase the amount of the registered capital of Yu Feng Real Estate (which is permitted to carry on property development business) and apply the net listing proceeds (or any part thereof) towards the contribution to the increased registered capital for property development; or

(c) make shareholder's loans to Yu Feng Real Estate to make up the difference between the current total investment and the current registered capital of Yu Feng Real Estate and apply the net listing proceeds towards the contribution of the shareholder's loan; or

(d) increase the amount of the registered capital of Golden Yu Feng or provide shareholder's loan to Golden Yu Feng within the amount of the difference between the total investment and registered capital of Golden Yu Feng (if applicable) for property related business excluding property development business.

In the event that the net proceeds from the Placing are not sufficient for the above purposes or there will be possible delay in the remittance of part or whole of the net proceeds from the Placing, it is the present intention of the Directors that these proceeds will be adjusted on a pro rata basis and the timing capital commitment for the above purpose will be adjusted accordingly. The shortfall of the capital expenditure for the possible acquisition and the development of featured theme shopping mall will be financed by the Group's internal funds, the sales or pre-sales proceeds from the Li Yuan Project and Fond England and debt financing.

As disclosed in the section headed "Risk factors" of this prospectus, the remittance of the net proceeds to the PRC is subject to filing, registration or approval from the PRC government authorities (including the local MOFCOM or local SAFE office. While the Company does not foresee any real risks of, or delay in, obtaining any registration with the SAFE or approval by the MOFCOM for remitting the net proceeds of the Placing to the PRC and the Company considers that the Group has sufficient internal and external resources to sustain its current business operations and business development, the Company has for the sake of prudency prepared for such an eventuality. The Company's plans to fund its business operations and development in the next 12 months will include:

(1) internal funds and cashflow generated from operations which include (i) proceeds from the pre-sales of Phase 2 and Phase 3 of Fond England and the revenue generated from its existing property leasing, property management and consultancy businesses; and (ii) proceeds from the pre-sales of the Li Yuan Project which is currently scheduled for 1st quarter of 2013;

(2) the loan or other general banking facilities that may be available to the Group from time to time;

(3) continue to explore and expand its sources of income from its less capital-intensive businesses including property leasing and property management and consultancy business;

(4) debt financing from banks for Li Yuan Project in 2nd half of 2012 or through other available financing arrangements, such as entrusted loans, to finance part of the costs of construction; and

(5) suitably adjust the Company's timetable for its business development plans.

Taking into account the internal funds and the debt financing, the Directors confirm that the Group would have sufficient working capital in the following 12 months after the Placing.

As a matter of cash flow management, the Group normally relies on its internal resources to finance its property development projects. Therefore, bank loans do not constitute a major part of the Group's source of funding for its development projects. Further, as confirmed by DTZ, there was no impairment in the value of its Group's properties as at 30 September 2012. Therefore, the Directors are of the view that the austerity measures in respect of restricting bank loans will not have any material impact on the Group's operation, financial results and the current financing plan for its development projects.

BOARD OF DIRECTORS

The Board of Directors consists of seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets forth the brief particulars of the Directors:

Name	Age	Relationships among Directors	Position	Date of appointment	Roles and responsibilities
Dr. LEE Kai Hung (李啟鴻)	77	spouse of Mrs. Lee and the father of Dr. Elaine Eick	Chairman, chief executive officer and executive Director	18 February 2011	Primarily responsible for leading the strategic planning and business development of the Group
Dr. LEE Tse Ching, Elaine (李紫清) also known as Dr. EICK Lee Tse Ching, Elaine	42	daughter of Dr. Lee and Mrs. Lee	Vice chairman and executive Director	18 February 2011	Primarily responsible for planning, departmental co-ordination and implementation of business strategies and of the overall operational management of the Group
Ms. CHAN Koon Woon (陳莞媛) also known as Mrs. LEE Chan Koon Woon (李陳莞媛)	71	spouse of Dr. Lee and the mother of Dr. Elaine Eick	Executive Director	18 February 2011	Primarily responsible for the administrative management of the Company
Mr. CHENG Bun (鄭鑌)	48	nephew of Dr. Lee and Mrs. Lee and cousin of Dr. Elaine Eick	Executive Director	18 February 2011	Primarily responsible for formulating the overall development strategies and managing the daily operations of the Group's subsidiaries in the PRC
Mr. WONG Chi Wai (黃翀維)	46	N/A	Independent non-executive Director	23 November 2012	Participating in meetings of the Board to bring an independent judgment to bear on issues on strategy, performance, resources, key appointments, standards of conduct and transactions which are material to the Group as and when required; taking the lead where potential conflicts of interest arise; and serving on the audit committee, the remuneration committee and the nomination committee
Mr. WONG Tat Yan, Paul (黃達仁)	43	N/A	Independent non-executive Director	23 November 2012	
Mr. CHAN Chun Yee (陳振宜)	35	N/A	Independent non-executive Director	23 November 2012	

EXECUTIVE DIRECTORS

Dr. LEE Kai Hung (李啟鴻), aged 77, is the chairman, chief executive officer and an executive Director of the Company and the founder of the Group. Dr. Lee is primarily responsible for leading the strategic planning and business development of the Group. Together with other members of the senior management, Dr. Lee also oversees all key aspects of the operations of the Group, including financial management and project development. Dr. Lee has over 19 years of experience in real estate investment and property development business. Dr. Lee has served as the Group's chairman of the board, vice-chairman of the board or director since 1993.

Dr. Lee was the driving force of the Group in initiating the use of green technologies in the development of Fond England. To achieve this objective, Dr. Lee procured his team to explore the appropriate technologies that could be applied in the development of Fond England that would conserve energy and other resources, promote a green and sustainable environment, and at the same time create a comfortable living environment.

Besides being a distinguished business leader, Dr. Lee is recognised for his active participation in charity and community works. In 1991, the Lee Kai Hung Foundation was established. Dr. Lee also served as the honorary chairman of the United Kingdom Chinese Education Foundation, which was set up in 2005 to provide advice and financial assistance to students studying in Chinese schools in the UK. He was commissioned as a deputy lieutenant of Greater Manchester and awarded a doctorate degree in laws by the University of Manchester in 2003.

Dr. Lee assists in promoting inward investments from the UK to Nanning, and acts as a go-between for companies from Nanning to enter the UK market. He received the award of honorary citizenship of Nanning and served as the chairman of the North West Chinese Council (UK) in 2002. He also served as the honorary chairman of the Confederation of Chinese Association (UK) and Guangxi Overseas Friendship Association (廣西海外聯誼會) in 2004 and 2011 respectively.

During the 3 years period up to the Latest Practicable Date, Dr. Lee did not hold any directorship in any listed companies.

Dr. Lee is the spouse of Mrs. Lee, the father of Dr. Elaine Eick and the sole director and the sole shareholder of First Beijing (one of the Controlling Shareholders).

Dr. LEE Tse Ching, Elaine (李紫清), also known as Dr. EICK Lee Tse Ching, Elaine, aged 42, is the vice chairman and an executive Director. She graduated from the University of Manchester Institute of Science and Technology (now known as the University of Manchester) with a master's degree in science in 1994, and obtained her doctorate degree in philosophy from the University of Cambridge, England in 1998. She joined the Group and was appointed as the managing director of Leepark Holdings in October 2007. She is primarily responsible for planning and departmental coordination and implementation of business strategies and of the overall operational management of the Group. Prior to joining the Group, in 2001, Dr. Elaine Eick had been a director for the Asia-Pacific region of a company headquartered in the United Kingdom with offices abroad and engaging in the medical communications business.

Dr. Elaine Eick has also been the founder and managing director of Pharma Frontiers Limited since 2003, a medical communications agency where she is responsible for planning and implementing communication strategies for a range of pharmaceutical and biotechnology clients. Her expertise includes strategic counselling, promotional, marketing and business planning for corporate and product-focused clients. She has more than 11 years of experience in business management and commercial communication functions.

During the 3 years period up to the Latest Practicable Date, Dr. Elaine Eick did not hold any directorship in any listed companies.

Dr. Elaine Eick is the daughter of Dr. Lee and Mrs. Lee and the sole director and sole shareholder of Chosen Leader (one of the Controlling Shareholders).

Ms. CHAN Koon Woon (陳莞媛), also known as Mrs. LEE Chan Koon Woon (李陳莞媛), aged 71, is an executive Director. Mrs. Lee has also been the chairman of the board of Bai Yi Commercial since May 2006, the vice-chairman of WTS Real Estate since January 2007 and a director of various subsidiaries of the Company. She is primarily responsible for the administrative management of the Company and has been working closely with the management of the Group in the general strategic planning, operation and development of the Group. Mrs. Lee has over 19 years of experience in corporate management within the Group.

During the 3 years period up to the Latest Practicable Date, Mrs. Lee did not hold any directorship in any listed companies.

Mrs. Lee is the spouse of Dr. Lee, the mother of Dr. Elaine Eick and the sole director and the sole shareholder of Ease Gain (one of the Controlling Shareholders).

Mr. CHENG Bun (鄭鑌), aged 48, is an executive Director. Mr. Cheng has also been a director of various subsidiaries of the Company. He is primarily responsible for formulating the overall development strategies and managing the daily operations of the Group's subsidiaries in the PRC. He is also responsible for internal management, investment planning and administrative functions of the Group. He graduated from the University of Sheffield with a postgraduate diploma in business in 1990 and obtained a master's degree of computer science in the University of Salford in 1992. He joined the Group in 1993 as a project leader of the Group.

Mr. Cheng was awarded with the Honorary Credential for Outstanding Entrepreneurs 2006 of Qin Xiu District* (2006年度青秀區優秀企業家榮譽證書) jointly issued by the Committee of Qin Xiu District of the PRC* (中共南寧市青秀區委員會) and the People's Government of Qin Xiu District, Nanning* (南寧市青秀區人民政府) in March 2007. He was also appointed by the Guangxi Returned Scholars Chamber of Commerce (廣西歸國留學人員商業界人士聯合會) (the "GRSCC") in December 2010 as a council member of the first session of the council of the GRSCC for a term of 5 years. In October 2011, he was appointed as a committee member of Nanning Municipal Committee of the Chinese People's Political Consultative Conference for a term of 5 years.

During the 3 years period up to the Latest Practicable Date, Mr. Cheng did not hold any directorship in any listed companies.

Mr. Cheng is the nephew of Dr. Lee and Mrs. Lee and the cousin of Dr. Elaine Eick.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WONG Chi Wai (黃馳維), aged 46, is an independent non-executive Director. Mr. Wong currently also serves as an independent non-executive director for Bonjour Holdings Limited (stock code 653), Kin Yat Holdings Limited (stock code 638) and Arts Optical International Holdings Limited (stock code 1120), all of which are listed on the Main Board of the Stock Exchange. He is currently the chairman of the audit committee of both Bonjour Holdings Limited and Arts Optical International Holdings Limited and the chairman of the nomination committee of Kin Yat Holdings Limited. Mr. Wong obtained a bachelor's degree in social science from and was awarded postgraduate certificate in laws by the University of Hong Kong in 1988 and 1993 respectively. Mr. Wong is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Wong has also been admitted as a barrister of the High Court of Hong Kong since 1998. Mr. Wong has over 24 years of experience in the accountancy profession and he is currently the owner of a certified public accountants firm in Hong Kong, Albert Wong & Co.

Mr. Wong was an independent non-executive director of Tin Tin Publication Development Limited ("Tin Tin") during the periods from 3 June 2000 to 31 August 2000 and from 18 December 2000 to 27 June 2002. Tin Tin was incorporated in Hong Kong, engaging in the publication business. Mr. Wong confirmed that he had never participated in the management of Tin Tin during his appointment as a director of Tin Tin. His re-appointment on 18 December 2000 as a director of Tin Tin was for the sole purpose of constituting a valid board quorum pursuant to the articles of association of Tin Tin so that Tin Tin could enter into settlement agreements with and release funds to its creditors after Tin Tin lost a court case in the Court of Final Appeal in July 2000. A judgment creditor obtained a judgment against Tin Tin on or about 11 January 2002 for a sum of HK$4,675,325 and then applied to the Court for the winding-up of Tin Tin. The order for the winding-up of Tin Tin was granted on 7 August 2002. No further information about the progress of the winding-up of Tin Tin is available after the resignation of Mr. Wong as a director of Tin Tin on 27 June 2002. Mr. Wong confirmed that this incident had been duly disclosed to the Stock Exchange at the time when Mr. Wong was first appointed as an independent non-executive director of Bonjour Holdings Limited in 2003 and his subsequent appointments as an independent non-executive director of each of Kin Yat Holdings Limited and Arts Optical International Holdings Limited in 2004.

However, due to oversight, Mr. Wong omitted to mention his directorship in Tin Tin when he filled the application form for application of membership of the Hong Kong Federation of Insurers ("HKFI") in May 2004. Mr. Wong subsequently informed HKFI of his omission in July 2004 and HKFI decided to suspend his membership as an insurance agent for 9 months until June 2005. Mr. Wong confirmed that he had disclosed the decision of the HKFI to the Stock Exchange in October 2004.

Save as disclosed in the preceding paragraphs, during the 3 years period up to the Latest Practicable Date, Mr. Wong did not hold any other positions in the Company, any of its subsidiaries, or any other directorship in any other listed companies.

Mr. Wong is not related to any other Directors, members of senior management or substantial or founding shareholders of the Company and had not, by himself or through the firm in which he practises, provided professional services to the Company during the Track Record Period.

Mr. WONG Tat Yan, Paul (黃達仁), aged 43, is an independent non-executive Director. Mr. Wong obtained a bachelor's degree in commerce from James Cook University of North Queensland of Australia in 1993 and a master's degree in business administration from the University of Queensland of Australia in 2004. Mr. Wong is a practicing certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Taxation Institute of Hong Kong and a fellow member of the Taxation Institute of Australia. He has over 19 years of experience in auditing, accounting and taxation gained by taking up various positions in a number of accounting firms in Hong Kong and he is currently the partner of a certified public accountants firm in Hong Kong, Paul Wong & Co.

During the 3 years period up to the Latest Practicable Date, Mr. Wong did not hold any other positions in the Company, any of its subsidiaries, or any other directorship in any other listed companies.

Mr. Wong is not related to any other Directors, members of senior management or substantial or founding shareholders of the Company and had not, by himself or through the firm in which he practises, provided professional services to the Company during the Track Record Period.

Mr. CHAN Chun Yee (陳振宜), aged 35, is an independent non-executive Director. Mr. Chan obtained a bachelor's degree in law from the City University of Hong Kong in 1999 and a master's degree in laws in information technology and intellectual property law from the University of Hong Kong in 2004. He is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong for more than ten years in general legal practice and in different areas of law. From 2002 to the present, Mr. Chan works as a solicitor at the law firm of C.T. Chan & Co., Solicitors. Mr. Chan has experience in advising on the legal aspects of a broad range of company, commercial and corporate finance matters.

During the 3 years period up to the Latest Practicable Date, Mr. Chan did not hold any other positions in the Company, any of its subsidiaries, or any other directorship in any other listed companies.

Mr. Chan is not related to any other Directors, members of senior management or substantial or founding shareholders of the Company and save as the notarial service provided by C.T. Chan & Co., Solicitors at the fee of HK$5,190 to Leepark (Netherlands) in 2010, he had not, by himself or through the firm in which he practises, provided professional services to the Company during the Track Record Period.

The Group's independent non-executive Directors provide advice to the Group on compliance, corporate governance, development and business strategies.

Save as disclosed in the paragraphs above, there are no other matters concerning any of the Directors' appointment that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Mr. Ho Cheuk Wai (何焯偉), aged 51, is the company secretary of the Company and the financial controller of the Group. Mr. Ho is a degree holder in master of business administration awarded by the University of Wales, Bangor in co-operation with the Manchester Business School (now known as the Bangor University) in 1997 and a degree holder in master of science in business information technology awarded by the Middlesex University in 2003. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining the Group in May 2012, Mr. Ho was the financial controller in other companies in Hong Kong, namely CBI Investment Limited, Mission Hills Group and Chung Fu Property Group Company Limited from 1990 to 1995, from 1995 to 1998 and from 1999 to 2008 respectively, and had experience in financial management, financial reporting and control, corporate finance, accounting and taxation matters. From 2008 to 2010, he had been a member of the management team of the China Water Company Limited in Hong Kong, where he was responsible for all areas of company activities.

During the 3 years period up to the Latest Practicable Date, Mr. Ho did not hold any other positions in the Company, any of its subsidiaries, or any other directorship in any other listed companies.

COMPLIANCE OFFICER

Mr. CHENG Bun (鄭鑌), a compliance officer who also holds the post of executive Director and whose biographical details are disclosed above.

SENIOR MANAGEMENT

Mr. KWAN Kei-Chor (關基楚), aged 45, is the finance manager of the Group. Mr. Kwan is a bachelor's degree holder in business administration awarded by the Open Learning Institute of Hong Kong (now known as the Open University of Hong Kong) in 1996, and a master degree holder in accounting awarded by Curtin University of Technology in 2004. He is also an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in 2008, Mr. Kwan had been working in the fields of financing, financial reporting, and company secretarial in other companies in Hong Kong. He had held executive directorship in South East Group Limited (stock code: 726), a company whose shares are listed on the Main Board of the Stock Exchange during the period from December 2002 to May 2006 and had acted as a company secretary in Smart Rich Energy Finance (Holdings) Limited (now known as G-Resources Group Limited) (stock code: 1051), a company whose shares are listed on the Main Board of Stock Exchange during the period from May 2007 to October 2007.

Mr. HE Hao (何好), aged 58, is a director, the general manager or the vice general manager of various subsidiaries of the Company. Based in the PRC, he is primarily responsible for the management and daily operations of all development projects, including resources management, cost control and staff recruitment. For each development project, he would be the project leader of different project teams organised to manage each development project. He graduated from the Heilongjiang Commercial College (黑龍江商學院) (now known as the Harbin University of Commerce (哈爾濱商業大學)) in 1988, majoring in food engineering. Mr. He joined the Group in 2001. Prior to that, he had held various positions, including the vice general manager and the factory head with 南寧市飲食公司

(Nanning Food and Beverage Company*), the predecessor of Bai Yi Commercial, from 1974 onwards, and had been responsible for overseeing daily operations of this company. He obtained the Qualification Certificate of Intermediate Level of Speciality and Technology* (中級專業技術資格證書) in construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區人事廳) in 2007.

Mr. CAI Zi-Qi (蔡梓麒), aged 40, is a vice-chairman of the board, a director, the general manager or the vice general manager of various subsidiaries of the Group. Based in the PRC, he is responsible for the property management and daily operations of the Group. Mr. Cai is also responsible for the marketing of the Group's leased and managed properties and the property consultancy services. He graduated from the Guangdong Radio & TV University (廣東廣播電視大學) in 1996, majoring in financial accounting via distance learning. Mr. Cai joined the Group in 2001. He has accumulated knowledge in property management when he obtained the 全國物業管理從業人員崗位證書 (Certificate of practitioners engaged in national property management*) jointly issued by 建設部人事教育司 (Human Resources and Education Department of the Ministry of Construction*) and 建設部住宅與房地產業司 (Department of Housing and Real Estate Industry of the Ministry of Construction*) in 2002. He was qualified as an assistant engineer by obtaining the Qualification Certificate of Junior Level of Speciality and Technology (初級專業技術資格證書) in industrial and civil construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區人事廳) in 2007. He was also awarded qualification in corporate management with the China Career Manager Qualification Certificate* (中國職業經理人資格證書) jointly approved and issued by the 中國職業經理人資格評審委員會 (China Career Manager Qualification Assessment Committee*) and the China Career Manager Coalition (中國職業經理人聯合會) in 2008.

Ms. ZHONG Jia-Ying (鍾家瑛), aged 67, is a director and the vice general manager of various subsidiaries of the Group and is currently primarily responsible for the financial management of the Group's business in the PRC. She graduated from the Guangxi Commercial College* (廣西商業學校) in 1964, majoring in finance and accounting. She is a member of the Chinese Institute of Certified Public Accountants. The Bureau of Finance in Nanning* (南寧市財政局) and Nanning Accounting Management Company* (南寧市會計管理公司) appointed Ms. Zhong as the financial controller of Nanning Department Store Co., Limited on 2 July 1999 pursuant to the 南寧市企業財務總監委派及工作規則暫行 issued by 南寧市國有資產管理委員會. Given her experience and in recognition of her expertise in accounting and financial management, Ms. Zhong had during the period from 1999 to 2002 been invited to serve on several entities to oversee their finance and accounting operations. She worked as financial controller of Nanning Department Store Co., Limited* (南寧百貨大樓股份有限公司) from 1999 to 2002, a company listed on the Shanghai Stock Exchange. From 1964 to 2001, she had been the finance department head, deputy general manager, general manager, director and chairman of the board of directors of 南寧市飲食公司 (Nanning Food and Beverage Company*) (being the predecessor of Bai Yi Commercial), Bai Yi Commercial and Yu Feng Real Estate. She has accumulated experience and knowledge in financial management particularly in the property industry in the PRC since 1993 when she was appointed as a director of Yu Feng. She served as vice general manager and financial controller of 廣西運通數據設備有限責任有限公司 (Guangxi WIT Data & Equipment Co., Ltd.*) from June 2000 to May 2002. She also served as supervisor of 廣西航天金穗信息技術有限公司(Guangxi Aisino Technology Co., Ltd.* and currently known as 廣西航天信息技術有限公司) from August 2001 to May 2002. From May 2003 to June 2005, Ms. Zhong worked as a practicing certified public accountant in two accounting firms in Guangxi Province. She re-joined the Group in 2006.

Ms. HUANG Fu Wei-Hong (皇甫衛紅), aged 56, is the vice general manager of the WTS Real Estate. She is primarily responsible for the marketing and brand promotion of Fond England. She has accumulated approximately 37 years of experience and knowledge in the construction and property development business, from financial management to overall project management. In 1999, She graduated from the Chongqing Jianzhu University (重慶建築大學) (now known as the Chongqing University (重慶大學)), majoring in construction accounting. From 1975 to 2001, she had been the finance department head, finance bureau head and deputy chief accountant of 廣西建工集團機械有限責任公司 (Guangxi Construction Group Mechanics Company Limited*). She joined the Group in 2001. She was awarded with the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in finance issued by the Bureau of Scientific and Technological Personnel, Guangxi Zhuang Autonomous Region* (廣西壯族自治區科技幹部局) in 1993, the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region (廣西壯族自治區人事廳) in 2008 and the 全國企業經濟管理人才庫資格證書 (Certificate of Qualification of the National Entrepreneurial, Economic and Managerial Talent Bank*) issued by 人事部全國人才流動中心 (National Centre for Human Resources*) in 2007. She was also a member of the Society of Registered Financial Planners, Hong Kong in 2008.

Mr. QIN Zhang-Xin (覃章新), aged 62, is the vice general manager of WTS Real Estate. He is primarily responsible for the daily operations of WTS Real Estate. He graduated from the Renmin University of China (中國人民大學) in 1988, majoring in industrial economy. Before he joined the Group, he was the vice president of Nanning Municipal Bureau of Commerce（南寧市商業局）from 1986 to 1997, responsible for managing commercial constructions and commercial properties industry. He was also appointed as the general manager and the chairman of the board of a Nanning state-owned enterprise, 南寧沛寧資產經營有限責任公司 (Nanning Peining Capital Operation Company Limited*) in 1997 and 2001 respectively, responsible for overall operations and decision making of this company. He had been elected as the chairman of the board of directors of Nanning Department Store Co., Limited* (南寧百貨大樓股份有限公司), a company listed on the Shanghai Stock Exchange, from December 1999 to November 2001, where he was responsible for overall decision making of this company. From 2001 to 2009, he was appointed as the vice president of Nanning Economic Council* (南寧市經濟委員會副主任), responsible for overseeing economic development in Nanning. In 2009, he joined the Group as a vice general manager of WTS Real Estate. He was awarded with the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in economics issued by the Bureau of Scientific and Technological Personnel, Guangxi Zhuang Autonomous Region* (廣西壯族自治區科技幹部局) in 1995.

Mr. CHEN Wei-Han (陳慰漢), aged 47, is the vice general manager of WTS Real Estate. He is mainly responsible for the engineering division in WTS Real Estate, where he is in charge of formulating, implementing and managing engineering of projects. He is also responsible for the cost control division of WTS Real Estate, where he is in charge of reviewing and approving budgets, financial statements and cost management of projects and daily operations. He graduated from the school of civil engineering in the South China University of Technology (華南理工大學) in 1992 majoring in construction. He has accumulated experience and knowledge in property development and construction. He had been working in various construction companies and a property development company in the PRC from 1985 to 1993 and from 1996 to 2004 prior to joining the Group, and had been responsible for civil engineering as well as in charge of technology and project management. He joined the Group in 2006. He was awarded with the Qualification Certificate of Intermediate Level of Speciality and Technology (中級專業技術資格證書) in industrial and civil construction issued by the Personnel Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區人事廳) in 2005.

Mr. HE Jia-Quan (何家荃), aged 55, is the vice general manager and office supervisor of Bai Yi Commercial. He assists in formulating and implementing the annual operational plans, and is responsible for the execution of decisions made by the board of directors, the administrative management and the daily operations of Bai Yi Commercial. He is also the supervisor of Golden Yu Feng and Yu Feng Real Estate. He joined the Group in 2006. Prior to joining the Group, he had over 1 year of working experience in the hotel operation business from 1972 to 1974. He had then held various positions, including the administrative department deputy head and the management office deputy head with 南寧市飲食公司 (Nanning Food and Beverage Company*), the predecessor of Bai Yi Commercial, from 1974 onwards, and had been responsible for daily operations of this company.

Mr. CUI Min (崔敏), aged 60, is the vice general manager of Golden Yu Feng. He is primarily responsible for property management. He joined the Group in 2001 and was promoted to the supervisor of the management division of Golden Yu Feng in 2005. He was in charge of the management of Yu Feng Plaza. He has accumulated knowledge in property management when he was awarded with 全國物業管理從業人員崗位證書 (Certificate of practitioners engaged in national property management*) jointly issued by 建設部人事教育司 (Human Resources and Education Department of the Ministry of Construction*) and 建設部住宅與房地產業司 (Department of Housing and Real Estate Industry of the Ministry of Construction*) in 2005. Prior to joining the Group, he had been working in 南寧市礦務局 (Nanning Mining Bureau*) and 市礦務局醫院 (Nanning Mining Bureau Hospital*) for approximately 14 years and 4 years from 1972 to 1986 and from 1986 to 1990 respectively. He had then held various positions, including the deputy factory head with 南寧市飲食公司 (Nanning Food and Beverage Company*), the predecessor of Bai Yi Commercial, from 1990 onwards, and had been responsible for daily management of this company.

During the 3 years period up to the Latest Practicable Date, none of the senior management of the Group held any directorship in any listed companies in the last three years.

BOARD COMMITTEES

Audit Committee

The Group has established an audit committee with written terms of reference in compliance with the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls. The audit committee consists of three independent non-executive Directors, namely, Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee. Mr. Wong Chi Wai is the chairman of the audit committee. The responsibilities of the audit committee will include, among others:

➢ appointing and overseeing the work of independent auditors and pre-approving all non-audit services to be provided by independent auditors;

- ➢ reviewing annual and interim financial statements, earnings releases, critical accounting policies and practices used in preparing financial statements, alternative treatments of financial information, the effectiveness of disclosure controls and procedures, and important trends and developments in financial reporting practices and requirements;
- ➢ reviewing the planning and staffing of internal audits, organisation, responsibilities, plans, results budgets and staffing of internal audit team, and the quality and effectiveness of internal controls;
- ➢ reviewing risk assessment and management policies; and
- ➢ establishing procedures for the treatment of complaints received by the Group regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

Remuneration Committee

The Group has established a remuneration committee with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are to formulate the training and compensation policies and to determine and manage the compensation of the senior management. The remuneration committee consists of three independent non-executive Directors, namely Mr. Wong Tat Yan, Paul, Mr. Wong Chi Wai, and Mr. Chan Chun Yee. Mr. Wong Tat Yan, Paul is the chairman of the remuneration committee. The responsibilities of the remuneration committee include, among others:

- ➢ reviewing and overseeing the total compensation package of the executive officers, evaluating the performance of and determining and approving the compensation to be paid to the senior management;
- ➢ reviewing and making recommendations to the Board with respect to Directors' compensation, including equity-based compensations;
- ➢ administering, periodically reviewing and making recommendations to the Board regarding the long-term incentive compensation or equity plans made available to the Directors, employees and consultants; and
- ➢ reviewing and making recommendations to the Board regarding executive compensation practices, strategy and principles and preparing annual reports on the compensation of the senior management.

The scope of review of the remuneration committee shall cover fixed and variable-term remuneration packages, including contractual payment, share option/award schemes, fringe benefit plan and financial assistance in monetary term and in kind, of Directors' and senior management.

Both the fixed and variable-term remuneration package shall be collectively determined by the Board on the recommendation of the remuneration committee based on relevant factors, such as benchmarking against comparable companies, business scale, future development, time commitment and employment condition of each individual director and senior management.

The remuneration committee shall monitor whether the subsequent paid and payable amount are consistent with contractual terms and/or pre-approved discretionary thresholds.

The remuneration committee shall have the authority and autonomy, in the course of review/ monitoring, to appoint necessary external professional assistance and to access necessary documents at cost payable by the Company.

Nomination Committee

The Group has established a nomination committee with written terms of reference in compliance with the Code. The primary duties of the nomination committee are to evaluate the status of the Board, establish criteria for and assist the Board in the selection of the appointment of Directors and recommend on the Board's succession planning. The nomination committee consists of three independent non-executive Directors, namely Mr. Chan Chun Yee, Mr. Wong Chi Wai and Mr. Wong Tat Yan, Paul. Mr. Chan Chun Yee is the chairman of the nomination committee. The other responsibilities of the nomination committee include, among others:

➢ reviewing the structure, size and composition of the Board;

➢ making recommendations to the Board regarding the responsibilities, organisation and membership of all Board committees;

➢ developing, recommending to the Board and monitoring a statement of corporate governance principles or guidelines; and

➢ evaluating the effectiveness of the Board, Board committees and senior management.

Board Succession Plan

The primary purpose of the succession plan of the Board is to ensure the Group's effective performance through leadership continuity and the orderly identification and selection of key leader or director when a vacancy, whether anticipated or unanticipated, exists.

The succession planning will be reviewed and conducted on a continuous basis on the recommendation of and by the nomination committee. The process will primarily include:

- identify high aspiration and potential individual(s)(whether within or outside the Group) who has/have the personality, competency, leadership skills and passion to serve the Company and its shareholders through board service;

- define the experience and skills needed to effectively fulfil the role;

- develop and mentor each potential member, as appropriate, toward his/her pursuit of excellence, and create a development plan for, and perform development activities with, each potential member to prepare him or her for the directorship/leadership position; and

- evaluate succession planning efforts, report the findings and make recommendation to the Board from time to time.

Compliance Advisor

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company will appoint Haitong International Capital Limited as the Group's compliance advisor, who will have access to the Company's authorised representatives, executive Directors and other officers at all reasonable times. The compliance advisor will advise the Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Placing. The material terms of the compliance advisor's agreement to be entered into between the Company and the compliance advisor are as follows:

(i) the compliance advisor's appointment is for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date (the "Term");

(ii) the compliance advisor shall provide the Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines in Hong Kong;

(iii) the Company will indemnify the compliance advisor against all claims, actions, demands, liabilities, proceedings and judgment brought or established against, and all costs, charges and expenses suffered or incurred by the compliance advisor arising from or in connection with such appointment and/or the resignation or termination in relation thereto, unless such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses and demands are determined by a final court of jurisdiction to have arisen solely as a result of wilful default or gross negligence on the part of the compliance advisor; and

(iv) either the Company or Haitong International Capital Limited may terminate the said appointment prior to expiry of the Term in accordance with its terms and conditions.

DIRECTORS' REMUNERATION

The executive Directors receive compensation, in their capacities as the Group's employees, in the form of salaries, bonuses, other allowances and benefits in kind, including contribution to the pension scheme for the executive Directors.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors (which were benchmarked against comparable companies and market salary statistics) for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 was approximately HK$10.1 million, HK$10.7 million and HK$6.1 million respectively (represented approximately 58.7%, 12.1% and 19.8% of the Group's profits before income tax and fair value gain on investment properties).

The remuneration policies of the Group is and will be formulated by the Board on the recommendation of the remuneration committee of the Board (comprising all the independent non-executive Directors).

Going forward, the Directors' emoluments will be determined after considering various factors including but not limited to the experience and performance of each of the individual Directors, time commitment, responsibilities, the salaries paid by comparable companies, market salary statistics and prevailing market conditions, as well as the recommendation of the remuneration committee so as to (i) give encouragement to enhance the Company's performance and ensure that the Directors are fairly, but responsibly, rewarded for their individual contributions and performance on the one hand; and (ii) achieve the goal of aligning the remuneration policy with corporate objectives and business strategy on the other hand.

In addition, the remuneration package of each individual Director is subject to periodic review and assessment and any annual increment (if any) in remuneration will not exceed a specified percentage (currently set at 5.0%) as may be approved by the Board (on the recommendation of the remuneration committee) from time to time.

No remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office during the Track Record Period. Further, none of the Directors had waived any remuneration during the same period.

Under the arrangements currently in force, the Directors estimate the aggregate remuneration and benefits-in-kind of the Directors for the year ending 31 December 2012 to be approximately HK$11.5 million.

EMPLOYEES

As of the Latest Practicable Date, the Group had a total of approximately 257 full-time employees. The analysis by function of staff (excluding temporary staff and staff exempted from performing contractual duties) is as follows:

Functions	Number of employees
Senior management	6
General management	4
Operations management	6
Administrative personnel	13
Project development & planning	12
Design	2
Cost control	5
Marketing	24
Sales	1
Property management	76
Maintenance and engineering	46
Finance	20
Human resources	8
Business support	29
Customer service	5
Total	257

As at 31 December 2011, the Group had a total of 264 full-time employee, representing a decrease of approximately 43.0% as compared to 463 full-time employee as at 31 December 2010, such decrease was mainly due to the decrease in employee under property management segment resulting from engagement of subcontracting services for the building management services.

Relationship with employees

The Directors believe that the employees are among the most valuable assets of the Group and have contributed to the success of the Group. The Group provides in-house trainings to employees to enhance their knowledge of the business, corporate culture and sales techniques, and provide trainings to individual employees according to their own job descriptions.

The remuneration packages of the employees include salary, overtime payment and insurance benefits. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed an annual review system to assess the performance of the employees, which forms the basis of determination on pay rise, bonus and promotion. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, work place accidents insurance and maternal insurance. The Directors believe that the salaries and benefits that the employees receive are competitive in comparison with the market rates.

During the Track Record Period, the Group had not experienced any significant turnover of staff or any disruption to the business operations due to labour disputes. The Directors believe that the Group has maintained a good relationship with its employees.

Retirement benefit schemes

All the Group's employees in Hong Kong have joined a mandatory provident fund scheme (the "MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong. The Group has complied with the relevant laws and regulations, and that relevant contributions have been paid by the Group in accordance with the aforesaid laws and regulations.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share option scheme" in Appendix VI to this prospectus.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Placing and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons collectively are entitled to exercise or control the exercise of 30.0% or more of the voting power at the general meetings of the Company and are therefore regarded as Controlling Shareholders under the GEM Listing Rules:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding
First Beijing	Beneficial owner *(Note 1)*	90,000,000 Shares	30%
Dr. Lee	Interest of controlled corporation *(Note 1)*	90,000,000 Shares	30%
Ease Gain	Beneficial owner *(Note 2)*	90,000,000 Shares	30%
Mrs. Lee	Interest of controlled corporation *(Note 2)*	90,000,000 Shares	30%
Chosen Leader	Beneficial owner *(Note 3)*	45,000,000 Shares	15%
Dr. Elaine Eick	Interest of controlled corporation *(Note 3)*	45,000,000 Shares	15%

Notes:

(1) These Shares are or will be registered in the name of First Beijing, which is wholly owned by Dr. Lee. By virtue of the SFO, Dr. Lee is deemed to be interested in the Shares held by First Beijing.

(2) These Shares are or will be registered in the name of Ease Gain, which is wholly owned by Mrs. Lee. By virtue of the SFO, Mrs. Lee is deemed to be interested in the Shares held by Ease Gain.

(3) These Shares are or will be registered in the name of Chosen Leader, which is wholly owned by Dr. Elaine Eick. By virtue of the SFO, Dr. Elaine Eick is deemed to be interested in the Shares held by Chosen Leader. Dr. Elaine Eick is the daughter of Dr. Lee and Mrs. Lee.

COMPETITION

None of the Directors, Controlling Shareholders, Substantial Shareholders, Significant Shareholders nor any of their respective associates is a director or a shareholder of any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

UNDERTAKINGS

The Company and each of the Controlling Shareholders has given certain undertakings in respect of the Shares to the Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters, details of which are set out under the sub-section headed "Undertakings" in the section headed "Underwriting" of this prospectus.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors consider that the Group is capable of carrying its business independent of the Controlling Shareholders and their respective associates following the Listing.

Management independence

The Board comprises four executive Directors and three independent non-executive Directors. Save as disclosed in the section headed "Directors, senior management, board committees and staff" of this prospectus, there is no other relationship among the Directors.

Notwithstanding that a majority of the executive Directors are also Controlling Shareholders and the remaining executive Director (that is, Mr. Cheng Bun) is otherwise related to the Controlling Shareholders (in that Mr. Cheng Bun is the nephew of Dr. Lee and Mrs. Lee and the cousin of Dr. Elaine Eick), the Directors are of the view that the Company is capable of maintaining management independence as:

(1) the Group's strategies, management, operations and affairs are formulated, led, managed and/or supervised by the Board and not by any individual Director. All major and important corporate actions of the Company are and will be fully deliberated and determined by the Board collectively and objectively as a collective body;

(2) the Company has maintained and will continue to maintain a balanced composition of executive Directors and independent non-executive Directors with diversified expertise and experience, so that a strong independent element is present to effectively exercise independent judgment on the corporate actions of the Company and a sufficient degree of checks and balances among members of the Board can be ensured;

(3) pursuant to the terms of the service contracts entered into between the Company and the executive Directors, every executive Director is required to devote substantially the whole of his time, attention and abilities during normal business hours and such additional hours as may reasonably be requisite to the Group;

(4) in the event that there is a potential conflict of interest in or arising out of any transaction to be considered and approved by the Board, the interested Director(s) shall abstain from voting at the relevant meeting of the Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the GEM Listing Rules;

(5) the Company has three independent non-executive Directors, who are not associated with any of the Controlling Shareholders or their respective associates. Resolutions of the Board approving any matters in which any of the executive Directors has a potential conflict of interest and/or material interest will, for so long as all the executive Directors are also the Controlling Shareholders and are relatives of the others, only be considered and approved by the independent non-executive Directors (as under the provisions of the Articles and the GEM Listing Rules, the executive Directors will then be prohibited from voting on the resolution(s) and will not be

counted towards the quorum of the relevant Board meetings at which the relevant resolution(s) is/are approved). The independence of the Board's decisions in respect of any matters in which any of the Group's executive Directors has a potential conflict of interest and/or material interest is and can be ensured;

(6) the Company has established corporate governance procedures in safeguarding the interests of the shareholders and enhancing shareholders' value. Each Director is fully aware of his/her fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the applicable Articles and the GEM Listing Rules; and

(7) the Board from time to time delegates certain functions to, and is assisted by its senior management in the implementation of the business plan and strategy as laid down by the Board. The day-to-day management and operations of the Group are operated independently from the influence of the Controlling Shareholders and their respective associates.

Operational independence

The Group has its own organisational structure made up of divisions including finance, human resources, sales and marketing, administrative, project development and planning, property management and maintenance engineering, and other divisions). Each division has a clear delineation of duties and functions as determined by the Board to promote efficiency, effectiveness and quality in the development of the Group's business.

The Group has independent access to sources of suppliers or materials necessary for the operation of its business as well as customers which are all Independent Third Parties. All of the operating subsidiaries of the Company hold the licences necessary for the operation of the Group's business in their own names.

Financial independence

The Company has established a financial system (including bank accounts) that operate independently. As at the date of this prospectus, there were no outstanding loans owed to and from, and/or outstanding financial guarantees or indemnities provided by the Controlling Shareholders and their respective associates. The Directors are of the view that the Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on the Controlling Shareholders or any of their respective associates in the operation of its business.

SHARE CAPITAL

The authorised and issued share capital of the Company immediately following completion of the Capitalisation Issue and the Placing (subject to the assumptions set forth below) are as follows:

Authorised:		*HK$*
1,000,000,000	Shares	100,000,000
Issued and to be issued, fully paid or credited as fully paid:		
100,000,000	Shares in issue	10,000,000
125,000,000	Shares to be issued under the Capitalisation Issue	12,500,000
75,000,000	Shares to be issued under the Placing (before any exercise of the Offer Size Adjustment Option)	7,500,000
300,000,000	Shares	30,000,000

ASSUMPTIONS

The table above assumes that the Placing and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made, but takes no account of any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares granted to the Directors as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify in full for all dividends and other distributions declared, made or paid after the date of this prospectus save for any entitlement under the Capitalisation Issue.

THE SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraphs under "Share option scheme" in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Placing becoming unconditional, the Directors have been conditionally granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value not exceeding the sum of:

(i) 20% of the aggregate nominal amount of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option; and

(ii) the aggregate nominal amount of Shares purchased by the Company (if any, pursuant to the repurchase mandate as described below).

This mandate will remain in effect until:

- ➢ the conclusion of the next annual general meeting of the Company;
- ➢ the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or
- ➢ the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate,

whichever is the earliest.

Further details of this general mandate is set forth under the sub-paragraph headed "Resolutions in writing of the Shareholders passed on 23 November 2012 and 29 November 2012" as set out in the paragraph headed "Further information about the Company and its subsidiaries" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARE

Subject to the Placing becoming unconditional, the Directors have been conditionally granted a general unconditional mandate authorising them to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the Shares in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option.

This mandate only relates to purchases made on GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose). A summary of the relevant GEM Listing Rules is set out in the sub-paragraph headed "Repurchase by the Company of its own securities" as set out in the paragraph headed "Further information about the Company and its subsidiaries" in Appendix VI.

This mandate will remain in effect until:

- ➢ the conclusion of the next annual general meeting of the Company;
- ➢ the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any other applicable laws of the Cayman Islands to be held; or
- ➢ the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate,

whichever is the earliest.

Further details of this general mandate is set forth under the sub-paragraph headed “Resolutions in writing of the Shareholders passed on 23 November 2012 and 29 November 2012” as set out in the paragraph headed “Further information about the Company and its subsidiaries” in Appendix VI to this prospectus.

You should read the following discussion and analysis of the financial condition and the results of operations together with the audited consolidated financial information for the years ended 31 December 2010 and 2011, and the six months ended 30 June 2012, and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus (collectively the "Financial Statements"). The Accountants' Report has been prepared in accordance with HKFRSs. Potential investors should read the whole of the Accountants' Report set out in the Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" of this prospectus.

OVERVIEW

The Group is a real estate property developer in the PRC, specialising in the development of green properties by incorporating eco-friendly architectural designs, material and construction methods, as well as energy saving innovations in Nanning, Guangxi. Under the leadership of Dr. Lee, Chairman of the Group, as at 30 June 2012, the Group has carried on business for more than 19 years in developing and leasing properties, and approximately 9 years in managing commercial properties in various locations in Nanning. The Group will continue to dedicate its effort to promoting environmental conservation and maintaining a diversified property portfolio in developing and leasing properties, as well as providing property management services and consultancy services.

For the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012, the Group's revenue was approximately HK$163.1 million, HK$328.4 million and HK$175.7 million respectively. The Group derived income primarily from the sales of properties, leasing investment properties, providing building management services and providing property related consultancy services.

During the Track Record Period, the Group's revenue from sales of properties were derived from the sales of Fond England, the Group's pilot green building project. The Group recognises revenue from the sales of properties upon the properties having been delivered to the purchasers and the collectability of related receivables is reasonably assured. The Group has completed Phase 1 of Fond England and delivered units to buyers starting from 2009 and 2010; Phase 2 of Fond England are expected to be completed in first quarter of 2013 and Phase 3 of Fond England was completed in the third quarter of 2012. The Group's revenue from sales of properties was approximately HK$105.5 million in 2010 and increased to approximately HK$265.3 million in 2011 as a certain units of Phase 1 and Phase 2 of Fond England were sold and delivered in 2011. The Group's revenue from property development increased from HK$9.0 million for the six months ended 30 June 2011 to approximately HK$132.9 million for the six months ended 30 June 2012, the increase was resulted from the increase in property delivered in the first half of 2012. In respect of proceeds from pre-sales or sales of properties prior to their completion and delivery, the Group would, in the statements of financial position, record the amounts as "advances received from the pre-sales of properties under development and properties held for sale", respectively, under "current liabilities". Accordingly, the results of operations may vary significantly from period to period, and in particular are dependent on the timing of the completion and delivery of the properties developed by the Group. As such, period to period comparisons of the operating results may not be as meaningful as they would be for a company with a greater proportion of recurring income.

The Group's revenue from properties leasing and building management was approximately HK$54.1 million for the year ended 31 December 2010 and increased to approximately HK$61.8 million for the year ended 31 December 2011. This increase was attributed primarily to the increase in contribution of rental income from various investment properties. The Group's revenue from properties leasing and building management increased from approximately HK$31.1 million for the six months ended 30 June 2011 to approximately HK$38.4 million for the six months ended 30 June 2012. Such increase was mainly due to the increase in rental income from various investment properties.

For the years ended 31 December 2010 and 2011, the Group's profit after tax for the years were approximately HK$24.5 million and HK$78.3 million respectively. In addition to the fact that contribution from sales of properties increased in 2011, the increase in profit after tax to approximately HK$78.3 million in 2011 was also attributable to the gain on changes in fair value of investment properties of approximately HK$46.5 million in 2011, compared to the fair value gain on investment properties of approximately HK$30.8 million in 2010. The Group's profit after tax increased from approximately HK$6.1 million for the six months ended 30 June 2011 to approximately HK$46.6 million for the six months ended 30 June 2012. Such increase was contributed by the increase in revenue and the increase in gain on changes in fair value of investment properties by approximately HK$43.1 million.

BASIS OF PRESENTATION

Upon completion of Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group pursuant to the Reorganisation, details of which are set out in the sub-paragraph headed "Group reorganisation" in the paragraph headed "Further information about the Company and its subsidiaries" in Appendix VI to this prospectus. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. The Group, resulting from the Reorganisation, is regarded and accounted for as a continuing group. Accordingly, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flow of the Group for the Track Record Period have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, whichever was later. The consolidated statements of financial position of the Group as at 31 December 2010 and 2011 and six months ended 30 June 2012 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

The Company's functional currency is Hong Kong dollars which is also the Group's presentation currency. The directors of the Company has determined its functional currency as Hong Kong dollar. The directors of the Company also consider that Hong Kong dollar is appropriate presentation currency in view of its place of listing is in Hong Kong.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The Group's business, results of operations and financial conditions are affected by a number of factors, many of which are beyond the Group's control, including those set forth below.

Overall performance of the property market in the PRC, particularly in Nanning

The Group's business and results of operations are heavily impacted by the property market in Nanning where the Group's projects are located. The property market may be affected by local, national and global factors, including overall economic and financial conditions, policies and measures of the city government of Nanning, demand for and supply of properties in Nanning, interest rates, availability of capital and availability of alternative investment choices for property buyers. Should there be a downturn in the PRC economy or in Nanning, the Group's business and results of operations may be adversely affected. Please refer to the paragraph headed "The Group's business prospects and results of operations depend heavily on the performance of the property market in the PRC, particularly in Nanning" under the sub-section headed "Risks relating to the Group" in the section headed "Risk factors" of this prospectus.

Regulatory measures affecting the property market in China

Policies and measures affecting the property development and related industries in the PRC, including tax, land grant, pre-sale, interest rates, consumer credit and mortgage financing and other macro-economic policies will continue to have a significant impact on demand for the Group's properties, and by extension the Group's business, financial condition and results of operations. In recent years, in particular 2010 and 2011, the PRC central government has implemented a number of measures to curtail the overheating of the PRC property market by discouraging speculation in residential property and increasing the supply of affordable housing. Please refer to the section headed "Risk factors — risks relating to the industry" of this prospectus.

Project development and delivery schedules

The Group recognises revenue from sales of properties only upon delivery of units to buyers, the Group's revenue in any given period are therefore significantly affected by the amount of GFA delivered during that period. As a result, for the Group's properties that had been pre-sold prior to the completion of construction, such as Phase 1 of Fond England, the Group would typically enjoy higher level of revenue in the periods in which construction is completed and the properties is delivered, which may not correspond with the periods in which the properties were pre-sold. Therefore, the period-to-period comparison of the Group's operating results may not be meaningful and the Group's business, results of operation and financial position may vary significantly from one period to another. Project development and delivery schedules may also impact on the Group's cash flows as a project may be under construction for over one year before it generates positive cash flows through pre-sales or sales. Changes in the Group's cash flows during the Track Record Period were affected significantly by the time lag between commencement of construction and cash flows from pre-sales or rental income relating to the properties development projects. Project development and delivery schedules depend on a number of factors, including the performance and efficiency of the Group's independent contractors, the quality of work of the contractors, the Group's ability to obtain relevant governmental licenses and approvals, and the Group's ability to finance construction with bank borrowings and pre-sales.

Fair value adjustments of investment properties

Investment properties of the Group are measured initially at cost, including any directly attributable expenditure. After initial recognition, the investment properties would be carried at fair value, with changes in fair value recognised in the consolidated statements of comprehensive income. Upward or downward valuation adjustments would result in unrealised capital gains or losses on the Group's investment properties in the relevant period. These adjustments, however, would neither generate any cash inflow to the Group nor the unrealised capital gains would necessarily be available for distribution as dividends. As of 31 December 2010 and 2011 and as of 30 June 2012, the fair value of the Group's investment properties was approximately HK$603.0 million, HK$715.1 million and HK$759.8 million respectively. For the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012, the Group experienced a fair value gain of approximately HK$30.8 million, HK$46.5 million and HK$50.0 million respectively.

The appraised value of the Group's properties as contained in the property valuation report prepared by DTZ attached hereto as Appendix III to this prospectus is based on assumptions that may be subjective and uncertain. DTZ have used investment approach by capitalising the rental income derived from the existing tenancies with due provision for the revisionary income potential of the property interest, or where appropriate, direct comparison method by making reference to comparable sales transactions as available in the relevant market.

Revenue mix between properties development projects and property related businesses

The Group has derived, and expects to continue to derive, a majority of its revenue from sales of properties, which tend to fluctuate from period to period due to project development and delivery schedules and other reasons. At the same time, the Group retains its commercial properties as investment properties for recurring rental income and also provides property management and property related consultancy services. The Group's revenue and cash inflows from sales of properties are generally higher but more volatile, while rental income from commercial properties and income from property management and property related consultancy services are lower in any given period but more stable. The Group's revenue will generally see a larger increase in periods where the Group completes and delivers developed properties, while the Group's gross margin is generally impacted positively by an increase in its revenue from rental income and income from property management and property related consultancy services as these sources of income generally enjoy a higher gross margin than revenue from sales of properties.

Fluctuations in property development costs

The Group's results of operations are affected by its property development costs, a significant part of which is construction material costs and labour costs disbursed on behalf of the Group by its construction contractors. Generally, the Group would enter into agreements with its construction contractors that provide that they would absorb any increase in labour costs while the Group is responsible to bear certain increases in material costs after a contract is entered into based on the relevant civil construction contracts. Based on the material cost adjustment mechanism as stipulated in relevant construction contracts, in the event that the fluctuation of material costs exceeds or falls below the range of 3.0% to 5.0%, the additional or saved material costs would be borne or shared (as the case may be) at such proportion as may be mutually agreed by the Group and the relevant contractors. During the Track Record Period, 4 construction contracts were subject to material cost adjustment mechanism. Construction material costs experienced periods of fluctuation based on the material purchase index, with prices of many commodity materials, in particular steel and cement, rising significantly during the Track Record Period. Similar rapid increase in construction material costs in the future may negatively affect the Group's results of operations. Construction costs were also affected by rising labour costs in the PRC in recent years, and the Group expects the labour costs in the PRC will continue to increase in the foreseeable future.

Access to and cost of financing

Interest-bearing borrowings are the one of the sources of funding for the Group's property development. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's outstanding bank and other borrowings amounted to approximately HK$162.2 million, HK$153.6 million and HK$97.9 million respectively. Most of the Group's borrowings are linked to benchmark lending rates published by the PBOC. The PBOC benchmark lending rates are adjusted from time to time. Please refer to the paragraph headed "The Group's profitability and results of operations are affected by changes in interest rates" under the sub-section headed "Risks relating to the Group" in the section headed "Risk factors" of this prospectus. Any change in the interest rate on the Group's bank borrowings, including as a result of an interest rate adjustment by the PBOC, will affect the Group's interest payments and finance costs and therefore affect the Group's cash flow, financial condition and results of operations.

PRC land appreciation taxes ("LAT")

Under PRC tax laws and regulations, upon the sales of the Group's properties in the PRC, the Group is subject to the LAT on the appreciation in the value of land and the improvements on the land. All appreciation derived from the sales or transfer of land use rights and buildings and their attached facilities in the PRC is subject to LAT. Pursuant to the written notice for the LAT assessment issued from the local tax bureau dated 20 June 2012, WTS Real Estate is subject to LAT and the LAT is calculated at 5.0% to 7.0% of its sales of properties in accordance with the authorised taxation method. The Group has estimated its LAT liabilities according to its understanding of the requirements under the relevant PRC tax laws and regulations, with the final liabilities subject to the calculation of the tax authorities. The final LAT liabilities of the Group as determined by the tax authorities may be different from the amounts that the Group has estimated owing to the different interpretations that the tax authorities may render in relation to the LAT regulations or guidelines. The Group paid the LAT of HK$3.2 million, HK$6.5 million, HK$27.3, million and HK$20.1 million for the two years ended 31 December 2011, six months ended 30 June 2012 and subsequent period up to the Latest Practicable Date. Under the applicable LAT regulations and notices of the PRC, real estate developers are required to settle the final LAT payable in respect of their development projects if they meet certain criteria laid down under the applicable LAT notices or prescribed by the provincial tax authorities such as, where 85.0% of a development project have been pre-sold or sold or where the real estate developer has obtained and held a pre-sale permit for three years but has not completed the sales of the development project. The Group has reached the 85.0% threshold for Fond England during the six months ended 30 June 2012 and received the LAT payment notice on 20 June 2012. As the Group made relevant payments subsequently which resulted in significant increase in LAT paid for the six months ended 30 June 2012. For more information on LAT, please refer to the paragraph headed "Land appreciation tax" in the section headed "Summary of principal PRC laws relating to the property sector" in Appendix IV to this prospectus.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the financial conditions and results of operations as included in this prospectus are based on the Financial Statements prepared in accordance with the significant accounting policies set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus, which conform with HKFRSs, accounting methods, assumptions and estimates that underlie the preparation of the Financial Statements affecting the Group's financial conditions and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that the Group believes to be reasonable, the results of which form the basis of judgment on the carrying amounts of assets and liabilities and the results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgment and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Statements. The Group believes that the following accounting policies involve the most significant judgment and estimates used in the preparation of the Financial Statements.

Revenue recognition

Revenue primarily comprises sales of properties, rental income generated from investment properties, income from the property management operations and income from property related consultancy services. The Group recognises revenue after the completed properties have been sold and delivered, with all relevant permits and certificates having been obtained and typically at the time when the risks and rewards of the property have been passed to the purchasers. Such revenue recognition is made on a property by property basis as the Group completes and delivers each property. Deposits received from pre-sales of properties are carried as advances from customers.

Inventories of properties

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventories of properties consist of land held under operating lease (see note 3.12), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be determined reliably at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

The best evidence of fair value is the current prices in an active market for similar property in the same location and condition and subject to the same leasing terms or other contracts. In the absence of such information, the Group determines the fair value within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease terms or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are outstanding at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit or loss for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if the Group:

(a) has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle the taxes on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred assets and income tax expenses in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

PRC LAT

The Group is subject to LAT in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC. The Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

Pursuant to the written notice for the LAT assessment issued from the local tax bureau dated 20 June 2012, WTS Real Estate is subject to LAT and the LAT is calculated at 5.0% to 7.0% of its sales of properties in accordance with the authorised taxation method.

The PRC LAT provided in the Group's consolidated financial statements was derived from the gain on sales of properties by WTS Real Estate. The reporting accountants are of the view that the PRC LAT provision was adequate and appropriate.

The PRC Legal Advisor is of the opinion that the bases used by WTS Real Estate complied with the relevant rules, regulations and laws of the PRC. In the event that the bases were challenged by the tax authorities, WTS Real Estate may be required to make additional payment of taxes payable within the time limit.

Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sales. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sales are complete.

MANAGEMENT DISCUSSION AND ANALYSIS

Key financial ratios

Set out below is the summary of the key financial ratios of the Group during the Track Record Period:

	Year ended 31 December		Six months ended 30 June
	2010	**2011**	**2012**
Turnover growth[1]	N/A	101.4%	331.5%
Net profit growth[2]	N/A	219.2%	668.6%
Gross profit margin[3]	38.8%	40.0%	33.8%
Net profit margin before interest and tax[4]	29.4%	41.0%	46.0%
Net profit margin[5]	13.5%	21.4%	23.2%
Return on equity[6]	5.7%	14.7%	7.9%
Return on total assets[7]	1.9%	5.6%	3.4%
Inventories turnover days[8]	957.6	587.5	524.9
Debtors' turnover days[9]	0.7	0.5	2.5
Creditors' turnover days[10]	137.5	29.6	12.6
Interest coverage[11]	4.3	11.1	17.1

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
Current ratio[12]	1.2	1.0	1.0
Quick ratio[13]	0.5	0.3	0.3
Gearing ratio[14]	39.7%	30.3%	18.4%
Net debt to equity ratio[15]	2.7%	4.4%	5.4%

Notes:

1. Turnover growth is calculated as the difference between the turnover of respective years/ periods and the turnover of previous corresponding years/ periods divided by the turnover of previous corresponding years/ periods.

2. Net profit growth is calculated as the difference between the net profit of respective years/ periods and the net profit of previous corresponding years/ periods divided by the net profit of previous corresponding years/ periods.

3. Gross profit margin is calculated as the gross profit divided by the turnover of the respective years/periods.

4. Net profit margin before interest and tax is calculated as the net profit margin before interest of the respective years/periods divided by the turnover of the respective years/periods.

5. Net profit margin is calculated as the profit for year/period attributable to the owners of the Company divided by the turnover of the respective years/periods.

6. Return on equity is calculated as the profit attributable to the owners of the Company divided by the equity attributable to the owners of the Company of the respective years/periods.

7. Return on total assets is calculated as the profit attributable to the shareholders of the Company divided by the total assets of the Group of the respective years/periods.

8. Inventories turnover days are calculated as the average inventories balance divided by the costs of goods sold of the respective years/periods and multiplied by 365 days/182 days.

9. Debtors' turnover days are calculated as the average trade receivables balance divided by the turnover of the respective years/periods and multiplied by 365 days/182 days.

10. Creditors' turnover days are calculated as the average trade payables balance divided by the cost of goods sold of the respective years/periods and multiplied by 365 days/182 days.

11. Interest coverage is calculated as profit before income tax divided by the interest expenses capitalized of the respective years/periods.

12. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective dates.

13. Quick ratio is calculated as the current assets minus inventories of the Group as at the respective dates divided by total current liabilities of the Group as at the respective dates.

14. Gearing is calculated as total borrowings divided by total equity as at the respective dates.

15. Net debt to equity ratio is calculated as all borrowings net of cash and cash equivalents divided by total equity of the Group of the respective years/periods.

Details of fluctuations of revenue, gross profit margin and net profits of the Group are set out in the paragraphs below headed "revenue", "gross profit and gross profit margin" and "net profit and net profit margin" under sub-sections "Year ended 31 December 2011 compared to year ended 31 December 2010" and "For the six months ended 30 June 2012 compared to six months ended 30 June 2011" respectively.

The Group's net profit margin before interest and tax increased from approximately 29.4% in 2010 to approximately 41.0% in 2011 mainly due to the increase in average selling price of properties sold and delivered in 2011 and the increase in change in fair value of investment properties in 2011 by approximately 51.0% to approximately HK$46.5 million. The Group's net profit margin before interest and tax further increased to 46.0% for the six months ended 30 June 2012 as a result of the further increase in fair value of investment properties in the first half of 2012 to approximately HK$50.0 million.

The fluctuation of the Group‘s net profit margins during the Track Record Period was generally in line with the fluctuation of the Group's net profit margins before interest and tax.

The Group's return on equity increased from approximately 5.7% in 2010 to approximately 14.7% mainly due to the increase in net profit outweigh the accumulations of equity in the Company from the profit generated from the Group's business operations. The Group's return on equity decreased to 7.9% for the six months ended 30 June 2012. The decrease was attributable to the increase in equity from the profit generated from the Group's business operation in 2011, which diluted the return on equity for the first half of 2012.

The Group's inventories turnover days decreased from approximately in 957.6 days 2010 to approximately 587.5 days in 2011 and further decreased to 524.9 days for the six months ended 30 June 2012, such decrease was mainly due to the increase in cost of goods sold and partially offset by the increase in average inventories in 2011.

The Group's debtors' turnover days remained stable at approximately 0.5 days in 2011 as compared to approximately 0.7 days in 2010. Debtors' turnover days increased to 2.5 days in the first half of 2012. The increase was mainly attributable to the increase in receivables in relation to the property leasing and management business during the period.

The Group's creditors turnover days decreased from 137.5 days in 2010 to 29.6 days in 2011, such decrease was mainly due to decrease in trade payables from approximately HK$21.6 million as at 31 December 2010 to approximately HK$10.4 million as at 31 December 2011 because the business objective of the Group is to ensure the quality and on time completion of construction by making early payment to the contractors. The creditors turnover days further decreased to 12.6 days for the six months ended 30 June 2012. Such decrease was mainly due to the further decrease in trade payable to approximately HK$5.8 million.

The interest coverage of the Group improved from 4.3 in 2010 to 11.1 in 2011, such increase was mainly due to the increase in gross profit and gain on changes in fair value of investment properties in 2011. For the same reasons above, the interest coverage of the Group improved to 17.1 for the six months ended 30 June 2012 as compared to 1.6 for the corresponding period in 2011.

The Group's current ratio decreased from approximately 1.2 in 2010 to approximately 1.0 in 2011, such decrease was mainly due to the increase in interest-bearing borrowings from approximately HK$25.5 million in 2010 to approximately HK$105.5 million in 2011 due to funding needs for development of the Group's property development project. For the six months ended 30 June 2012, the Group's current ratio remained stable at approximately 1.0.

The Group's quick ratio decreased from approximately 0.5 in 2010 to approximately 0.3 in 2011, such decrease was mainly due to the increase in interest-bearing borrowings as mentioned above. For the six months ended 30 June 2012, the Group's quick ratio was stable as 0.3.

The Group's gearing ratio decreased from approximately 39.7% in 2010 to approximately 30.3% in 2011, such decrease was mainly due to the increase in total equity attributable to the increase fair value of investment properties of approximately HK$112.0 million in 2011. For the six months ended 30 June 2012, the Group's gearing ratio further decreased to 18.4%, such decrease was mainly contributed by the decrease in borrowing as a result of the repayment of bank borrowing during the first half of 2012.

The Group's net debt to equity ratio increased from approximately 2.7% in 2010 to approximately 4.4% in 2011, such increase was mainly due to the increase in interest-bearing borrowings for the development of the Group's property development projects. As at 30 June 2012, the Group's net debt to equity ratio further increased to 5.4%, such increase was mainly due to the decrease in cash and cash equivalents outweighed the decrease in interest-bearing borrowings.

Summary of consolidated financial information

The following consolidated statements of comprehensive income for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 and the selected consolidated statements of financial position as at 31 December 2010, 31 December 2011 and as at 30 June 2012, are derived from the Accountants' Report in Appendix I to this prospectus. The consolidated financial information set forth below should be read in conjunction with the consolidated financial information, including the notes thereto, included in Appendix I to this prospectus.

Consolidated Statements of Comprehensive Income

	Year ended 31 December		**Six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Revenue	163,082	328,436	40,708	175,662
Cost of sales	(99,823)	(197,074)	(19,324)	(116,339)
Gross profit	63,259	131,362	21,384	59,323
Other income	1,559	7,865	6,214	1,526
Gain on changes in fair value of investment properties	30,775	46,524	6,900	49,954
Administrative expenses	(36,303)	(42,133)	(22,932)	(26,054)
Selling expenses	(11,253)	(9,024)	(2,137)	(3,939)
Share of loss of an associate	(51)	—	—	—
Profit before income tax	47,986	134,594	9,429	80,810
Income tax expense	(23,457)	(56,300)	(3,360)	(34,163)
Profit for the year/period	24,529	78,294	6,069	46,647

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Other comprehensive income				
Exchange gain/(loss) on translation of financial statements of foreign operations	17,700	20,364	7,561	(5,448)
Revaluation surplus upon transfer of owner-occupied properties to investment properties	—	3,701	3,701	—
Deferred tax liabilities arising on revaluation of properties	—	(611)	(611)	—
Other comprehensive income for the year/period	17,700	23,454	10,651	(5,448)
Total comprehensive income for the year/period	42,229	101,748	16,720	41,199
Profit for the year/period attributable to:				
Owners of the Company	21,942	70,373	5,438	40,822
Non-controlling interests	2,587	7,921	631	5,825
	24,529	78,294	6,069	46,647
Total comprehensive income attributable to:				
Owners of the Company	37,678	91,665	15,283	35,973
Non-controlling interests	4,551	10,083	1,437	5,226
	42,229	101,748	16,720	41,199
Earnings per share for profit attributable to the owners of the Company				
- Basic (HK cents)	9.8	31.3	2.4	18.1
- Diluted (HK cents)	9.8	31.3	2.4	18.1

Consolidated Statements of Financial Position

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15,764	10,387	9,514
Interests in leasehold land	434	439	428
Investment properties	603,045	715,092	759,848
Available-for-sale financial assets	7,102	7,537	7,595
Deferred tax assets	2,800	4,840	—
	629,145	738,295	777,385
Current assets			
Inventories of properties	280,268	354,130	316,940
Trade receivables	366	534	4,299
Deposits, prepayments and other receivables	54,520	29,552	29,009
Amounts due from related parties	6,191	35	—
Amounts due from shareholders	38	38	38
Amount due from a director	41	—	—
Tax prepaid	—	—	617
Cash and cash equivalents	160,796	138,613	75,243
	502,220	522,902	426,146
Current liabilities			
Trade payables	21,591	10,355	5,761
Dividend payables	6,164	4,223	2,455
Accruals, deposits received and other payables	52,726	63,387	72,079
Advances received from the pre-sale of properties under development and properties held for sale	276,616	277,496	256,917
Amount due to a related party	2,362	—	—
Amounts due to directors	8,082	8,564	8,471
Interest-bearing borrowings	25,533	105,492	52,934
Taxation liabilities	28,313	41,342	7,673
	421,387	510,859	406,290

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Net current assets	80,833	12,043	19,856
Total assets less current liabilities	709,978	750,338	797,241
Non-current liabilities			
Interest-bearing borrowings	136,648	48,152	44,976
Deferred tax liabilities	138,406	166,118	175,121
	275,054	214,270	220,097
Net assets	434,924	536,068	577,144
EQUITY			
Share capital	—	—	—
Reserves	388,225	480,066	516,039
Equity attributable to the Company's owners	388,225	480,066	516,039
Non-controlling interests	46,699	56,002	61,105
Total equity	434,924	536,068	577,144

DESCRIPTION OF CERTAIN PROFIT OR LOSS ITEMS

Revenue

During the Track Record Period, the Group generated revenue from (i) sales of properties, (ii) rental income of investment properties, (iii) building management income and (iv) consultancy service income. The following table sets forth the Group's revenue and the percentage of total revenue represented for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2010		2011		2011		2012	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sales of properties	105,492	64.7	265,313	80.8	9,013	22.1	132,919	75.7
Rental income of investment properties	37,542	23.0	44,440	13.5	21,848	53.7	28,522	16.2
Building management income	16,515	10.1	17,399	5.3	9,270	22.8	9,918	5.6
Consultancy service income	3,533	2.2	1,284	0.4	577	1.4	4,303	2.5
	163,082	100.0	328,436	100.0	40,708	100.0	175,662	100.0

Sales of properties

The Group recognises revenue from sales of properties upon the properties having been delivered to the purchasers and the collectability of related receivables is reasonably assured. In respect of proceeds received from pre-sold properties or properties sold prior to their completion and delivery, the amounts received would be reflected in the statement of financial position as "advances received from the pre-sales of properties under development and properties held for sale", under "current liabilities" and would not be recognised as revenue until the delivery of relevant properties.

All the revenue generated from sales of properties during the Track Record Period was derived from the sales of Phase 1, part of Phase 2 and part of Phase 3 of Fond England that was developed, completed and delivered by the Group in 2010, 2011 and in the first half of 2012. For the years ended 31 December 2010 and 2011, the Group recorded revenue from sales of Fond England of approximately HK$105.5 million and HK$265.3 million respectively, representing 64.7% and 80.8% of the total revenue for the respective years. For the six months ended 30 June 2011 and 2012, sales from Fond England recorded a revenue of approximately HK$9.0 million and HK$132.9 million respectively, representing approximately 22.1% and 75.7% of the total revenue for the respective periods.

Rental income of investment properties

Rental income represents revenue received and receivables from the Group's investment properties, which has been mainly generated from the rental of retail shops and carparks, and recognised on a straight-line basis over the relevant lease period. For the years ended 31 December 2010 and 2011, the Group recorded revenue from leasing of investment properties of approximately HK$37.5 million and HK$44.4 million respectively, representing 23.0% and 13.5% of the total revenue for the respective years. The average monthly base rent of all investment properties of the Group per total GFA rented out for the years ended 31 December 2010 and 2011 was approximately HK$179 per sq.m. and HK$261 per sq.m. respectively. The substantial increase in the average monthly base rental per sq.m. was mainly due to (i) the increased in average monthly base rent per sq.m. of Yu Feng High Street after the refurbishment in 2011 from HK$55 in 2010 to HK$329 in 2011 after re-opening; (ii) the recognition of rental income from No. 10 West Street in 2011 after the completion of refurbishment and re-opening of No. 10 West Street in 2011, while no rental income from No. 10 West Street was recognized in 2010; and (iii) the cease of renting out of Li Yuan Project Site in 2011. In 2010, 4,745 sq.m. of Li Yuan Project site had been rented out to Independent Third Party, representing 23.6% of the Group's leased area in 2010 with an average monthly base rent of HK$31 per sq.m. For the preparation of the development of Li Yuan Project Site, the Group ceased to rent out Li Yuan Project Site and therefore, the Group's rented out areas dropped from 20,104 sq.m. in 2010 to 17,657 sq.m. in 2011. Due to the low average monthly base rent from Li Yuan Project Site in 2010, the cease of renting out Li Yuan Project Site increased the Group's overall average monthly base rental per sq.m.

For the six months ended 30 June 2011 and 2012, the Group recorded revenue from leasing of investment properties of approximately HK$21.8 million and HK$28.5 million respectively, representing approximately 53.7% and 16.2% of the total revenue for the respective periods. The increase in revenue generated from leasing of investment properties by approximately 30.7% to approximately HK$28.5 million in the first half of 2012 was mainly due to the re-opening of Yu Feng High Street in December 2011, which contributed six months revenue to the Group for the first half of 2012.

Building management income

Building management income represents income generated from management fees charged by the Group's subsidiary, Golden Yu Feng, in connection with the property management services provided to buyers and tenants of the residential and retail properties owned by the Group, as well as property management, maintenance and repair and other value-added services provided to owners of properties developed by other developers. Property management and related service income is generally recognised in the consolidated statements of comprehensive income when the services are rendered.

For the years ended 31 December 2010 and 2011, the Group recorded revenue from the provision of building management services of approximately HK$16.5 million and HK$17.4 million respectively, representing approximately 10.1% and 5.3% of the total revenue for the respective years.

For the six months ended 30 June 2011 and 2012, the Group recorded revenue from provision of building management services amounted to approximately HK$9.3 million and HK$9.9 million respectively, representing approximately 22.8% and approximately 5.6% of the total revenue for the respective periods.

Consultancy service income

Consultancy service income represents income generated from advisory and consultancy fees charged by the Group's subsidiary, Golden Yu Feng, in connection with consulting and related services provided to other property developers. Consultancy service income is generally recognised in the consolidated statement of comprehensive income when the services are rendered. For the years ended 31 December 2010 and 2011, the Group recorded revenue from the provision of advisory and consultancy services of approximately HK$3.5 million and HK$1.3 million respectively, representing 2.2% and 0.4% of the total revenue for the respective years.

For the six months ended 30 June 2011 and 2012, the Group recorded revenue from provision of consultancy services amounted to approximately HK$0.6 million and HK$4.3 million respectively, representing approximately 1.4% and 2.5% of the total revenue for the respective periods.

Cost of sales

The principal components of cost of sales are the cost of property development, which consists of construction cost and cost of land use rights; cost of properties leasing, cost of building management income services and cost of consultancy services.

The table below sets forth information relating to cost of sales for each year and for each of the six months period during the Track Record Period.

		For the year ended 31 December				**For the six months ended 30 June**			
		2010		**2011**		**2011**		**2012**	
	Notes	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Construction costs	(ii)	62,890	63.0	146,832	74.5	5,392	27.9	87,161	74.9
Costs of land use rights	(iii)	13,250	13.3	23,568	12.0	2,001	10.4	14,987	12.9
Cost of property development	**(i)**	**76,140**	**76.3**	**170,400**	**86.5**	**7,393**	**38.3**	**102,148**	**87.8**
Cost of properties leasing	**(iv)**	**11,313**	**11.3**	**14,604**	**7.4**	**6,898**	**35.7**	**7,749**	**6.7**
Cost of building management services	**(v)**	**10,805**	**10.8**	**11,010**	**5.6**	**4,697**	**24.3**	**5,241**	**4.5**
Cost of consultancy services	**(vi)**	**1,565**	**1.6**	**1,060**	**0.5**	**336**	**1.7**	**1,201**	**1.0**
		99,823	**100.0**	**197,074**	**100.0**	**19,324**	**100.0**	**116,339**	**100.0**

(i) ***Cost of property development***

The Group recognises the cost of property development for a given period to the extent that revenue from such properties has been recognised in such period. Prior to their completion, properties under development are included in the Group's consolidated statement of financial position at cost, less any identified impairment losses.

(ii) ***Construction costs***

Construction costs include the costs for the design and construction of a project, payments to third-party contractors and designers and cost of construction materials. The Group's construction costs are affected by a number of factors such as price fluctuation in construction materials (particularly steel and cement), the location and design characteristics of a property, the choice of materials and investment in ancillary facilities.

The table below sets forth information relating to the construction costs for each of the years and six months periods during the Track Record Period.

	For the year ended 31 December		**For the six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Project design costs	1,079	1,825	74	2,212
Sub-contracting costs	44,372	101,739	3,793	59,833
Construction materials	7,800	20,123	737	14,732
Interest capitalised	2,282	4,843	156	2,499
Other taxes expenses	5,603	14,670	515	7,331
Other direct costs	1,754	3,632	117	554
	62,890	146,832	5,392	87,161

For the years ended 31 December 2010 and 2011, the average purchase price of steel was HK$4,929 per ton and HK$5,666 per ton respectively, the average price of cement was HK$323 per ton and HK$419 per ton respectively, and the average purchase price of concrete was HK$279 per m^3 and HK$295 per m^3 respectively.

For the six months ended 30 June 2011 and 2012, in respect of construction works in Fond England as quoted by certain suppliers of the Group, the average purchase price of steel was HK$5,122 per ton and HK$5,767 per ton respectively, the average price of cement was HK$336 per ton and HK$436 per ton respectively, and the average price of concrete was HK$290 per m^3 and HK$304 per m^3 respectively.

(iii) ***Cost of land use rights***

Cost of land use rights includes costs relating to the acquisition of the rights to occupy, use and develop land, including land premium, demolition and resettlement costs, other land related taxes and government surcharges. Such costs are influenced by a number of factors, including the location of the property, market conditions, the project's plot ratios, the approved use of the land, the Group's method of acquisition and changes in relevant PRC regulations.

(iv) ***Cost of properties leasing***

Cost of properties leasing primarily includes maintenance costs for the leased properties developed by the Group and rental fees paid by the Group to third parties for sub-leasing. Cost of properties leasing is recognised as these costs are incurred or in equal installments over the accounting periods covered by the lease terms.

(v) ***Cost of building management income services***

Cost of building management income services primarily includes staff costs associated with the Group's property management company and other costs associated with the management of the properties that the Group has developed.

(vi) ***Cost of consultancy services***

Cost of consultancy services primarily includes staff costs associated with the Group's property management company and other costs associated with providing the advisory and consultancy services.

Gross profit and gross profit margin

Gross profit increased by approximately HK$68.1 million to approximately HK$131.4 million in the year ended 31 December 2011 from approximately HK$63.3 million in the year ended 31 December 2010, primarily due to the increase in GFA sold and delivered in relation to Fond England. The Group's gross profit margin increased to 40.0% in 2011 from 38.8% in 2010 was mainly due to the increase in average selling price in 2011. Gross profit for six months ended 30 June 2012 increased by approximately HK$37.9 million, to approximately HK$59.3 million as compared to the corresponding period in 2011. The increase was primarily due to the increase in residential units and carparks sold and delivered in relation to Fond England. The Group's gross profit margin decreased to 33.8% for the six months ended 30 June 2012 as a result of the delivery of carparks of which the average selling price was relatively lower than residential units.

Other income

Other income primarily comprises bank interest income, business support service income, clerical service income, government grant and gain on disposals of property, plant and equipment and dividend income from available-for-sale financial assets.

During the Track Record Period, Pharma Frontiers used and occupied the Group's headquarters in Hong Kong as part and parcel of certain management services including business support service and clerical service provided by the Group to Pharma Frontiers. Pharma Frontiers is a company incorporated in Hong Kong and is solely owned by Dr. Elaine Eick, an executive Director and a Substantial Shareholder and hence a connected person of the Company. The principal activity of Pharma Frontiers is medical communication. The basis of determining the service income during the Track Record Period was based on full reimbursement of the actual costs of providing supporting services. The Group ceased to provide clerical service income to Pharma Frontiers since 30 April 2011.

During the Track Record Period, the Group received government grants of approximately HK$57,000, HK$338,000 and HK$184,000 for the two years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 respectively. Such government grants consisted of (i) one-off government grant received from the government of Qingxiu District, Nanning, Guangxi* (廣西南寧青秀區人民政府) of approximately HK$57,000, HK$97,000 and HK$184,000 for the two years ended 31 December 2011 and for the six months ended 30 June 2012 respectively as a result of the best performance enterprise award obtained by the Group; and (ii) one-off government grant received from Housing and Urban-Rural Construction Department of Guangxi Zhuang Autonomous Region* (廣西壯族自治區住房和城鄉建設廳) of approximately HK$241,000 for the year ended 31 December 2011 to encourage the Group for its efforts on the promotion of green building technology in construction.

Gain on change in fair value of investment properties

Investment properties, which are properties held to earn recurring rental income, are stated at their fair values at the end of each financial period. The fair values of the Group's investment properties are based on valuations of such properties conducted by DTZ, an independent property valuer, using property valuation techniques involving certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would be expected to result in changes in the fair value of the investment properties and corresponding adjustments to the amount of gains or losses reported in the consolidated statement of comprehensive income. However, any such gains or losses reflect unrealised capital gains or losses in the value of the investment properties and do not constitute profit generated from operations or generate any cash inflow to the Group.

For the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2011 and 2012, the Group had gain on changes in fair value of investment properties of approximately HK$30.8 million, HK$46.5 million, HK$6.9 million and HK$50.0 million respectively.

Selling expenses

Selling expenses principally comprise advertising and promotion costs and salaries and commission to the Group's sales staff and a sales agent. During the Track Record Period, the Group entered into an agency service agreement with 南寧經緯行房地產諮詢有限公司 (Kingswick (Nanning) Property Consultants Ltd*), an Independent Third Party, for the sales of units in Fond England. 南寧經緯行房地產諮詢有限公司 (Kingswick (Nanning) Property Consultants Ltd*) is the sole sales agent of the Group in the past and was also appointed as the sale agent of the Group for the sales of units in Yu

Feng Plaza. Selling expenses are principally affected by the Group's selling and project development schedule of individual projects, with such costs being the highest during the presales period and declining as units are sold. As a result, most of the Group's selling expenses of a project are incurred and recognised prior to the recognition of revenue in respect of that project.

Administrative expenses

Administrative expenses primarily consist of (i) salaries and wages; (ii) directors' remunerations; (iii) listing expenses; (iv) legal and professional fees; (v) depreciation of the Group's fixed assets; (vi) entertainment and travelling expenses; and (vii) other administrative expenses, including compensation paid.

Share of loss of an associate

Share of loss of an associate represents the Group's share of loss attributable to its investment in Guiping Yu Feng. In July 2006, the Group acquired 40.0% equity interest in Guiping Yu Feng, a company that was engaged in property development and property leasing business in Guiping. The business of Guiping Yu Feng constituted an insignificant portion of the Group's operation and was disposed of by the Group on 30 December 2010.

Income tax expense

Income tax represents provisions made for PRC corporate income tax and LAT and withholding income tax. The Group estimated and made full provisions for LAT for which the Group was liable under relevant PRC tax laws and regulations, whether or not LAT was actually paid, upon recognition of revenue from the sales of the relevant properties. As such, changes in the Group's LAT expenses generally fluctuate in line with the Group's revenue from the sales of properties. The following table shows the principal components of the Group's income tax for the two years ended 31 December 2011 and for the six months ended 30 June 2011 and 2012 indicated:

	For the year ended 31 December		**For the six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current tax:				
PRC corporate income tax	5,748	23,530	(81)	5,139
PRC LAT	5,683	13,888	527	7,275
PRC withholding income tax	6,183	—	—	6,188
	17,614	37,418	446	18,602

	For the year ended 31 December		For the six months ended 30 June	
	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax:				
PRC corporate income tax	12,786	12,836	2,064	12,766
PRC LAT	(671)	(1,878)	507	4,966
PRC withholding income tax	(6,272)	7,924	343	(2,171)
	5,843	18,882	2,914	15,561
	23,457	56,300	3,360	34,163

No provision for Hong Kong profit tax has been made during the Track Record Period as the Group did not generate any assessable profits arising in Hong Kong. Based on the Cayman Islands' tax regulations, the Company is not subject to any income tax in the Cayman Islands because the Company operates as an exempted company.

Other comprehensive income

Other comprehensive income represents the exchange difference on translation of the financial statements of the Group's operations in the PRC.

The functional currencies of certain of the Group's subsidiaries are currencies other than HK dollars. As at each of the reporting dates, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the relevant reporting date, and the statements of comprehensive income are translated into HK dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are included in the exchange reserve. On disposal of a foreign entity, the cumulative amount recognised in the exchange reserve relating to that particular foreign operation is reclassified from equity to profit or loss.

Non-controlling interests

Non-controlling interests represent independent third-parties' interests in the Group's non-wholly owned subsidiaries during the Track Record Period.

SEGMENT REPORTING

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Property leasing	—	Leasing of commercial units and shops;
Property development	—	Construction and sales of residential units, commercial shops and carparks;
Building management services	—	Rendering of building management services; and
Advisory and consultancy services	—	Rendering of advisory and consultancy services.

The table below summarises revenues of the Group's business by operating segments for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2011 and 2012:

	For the year ended 31 December				**For the six months ended 30 June**			
	2010		**2011**		**2011**		**2012**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Property development	105,492	64.7	265,313	80.8	9,013	22.1	132,919	75.7
Property leasing	37,542	23.0	44,440	13.5	21,848	53.7	28,522	16.2
Building management services	16,515	10.1	17,399	5.3	9,270	22.8	9,918	5.6
Advisory and consultancy services	3,533	2.2	1,284	0.4	577	1.4	4,303	2.5
	163,082	100.0	328,436	100.0	40,708	100.0	175,662	100.0

The table below summarises assets and liabilities of the Group by operating segments for the years ended 31 December 2010 and 2011 and as at 30 June 2011 and 2012:

	As at 31 December				As at 30 June	
	2010		2011		2012	
	Reportable assets	Reportable liabilities	Reportable assets	Reportable liabilities	Reportable assets	Reportable liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property development	417,548	(350,518)	454,035	(372,451)	332,604	(279,899)
Property leasing	673,951	(290,302)	769,225	(284,630)	825,171	(296,367)
Building management services	12,802	(12,246)	24,022	(20,424)	19,839	(12,854)
Advisory and consultancy services	2,633	(2,430)	1,674	(1,484)	3,505	(2,219)
	1,106,934	(655,496)	1,248,956	(678,989)	1,181,119	591,339

During the Track Record Period, a significant portion of the Group's revenue and cash inflow were derived from the property development segment. The following table sets forth certain data with respect to the property development segment for the periods indicated that are extracted from the Group's internal records and the section headed "Accountants' report" in Appendix I to this prospectus.

	For the year ended 31 December		For the six months ended 30 June	
	2010	2011	2011	2012
Advances received from the pre-sale of properties under development and properties held for sale (HK$'000)	276,616	277,496	367,350	256,917
Sales of properties and carparks recognised in the year/period (HK$'000)	105,492	265,313	9,013	132,919
Sales of carparks recognised in the year/period (HK$'000)	25,766	12,215	4,329	19,937
Total saleable GFA delivered (excluding carparks) (sq.m.)	14,092	26,193	506	10,776
Total saleable GFA carparks delivered (sq.m.)	4,416	1,979	709	5,414

Year ended 31 December 2011 compared to year ended 31 December 2010

Revenue

The Group's revenue increased by 101.3% from approximately HK$163.1 million for the year ended 31 December 2010 to approximately HK$328.4 million for the year ended 31 December 2011. This increase was primarily due to a significant increase in the sales of properties.

Sales of properties

Revenue derived from sales of properties increased by 151.5% from approximately HK$105.5 million for the year ended 31 December 2010 to approximately HK$265.3 million for the year ended 31 December 2011. This increase was primarily due to an increase in total GFA sold in respect of the property development project, Fond England.

The table below sets out the revenue, saleable GFA delivered and average selling price for properties delivered for Fond England for the years ended 31 December 2010 and 2011:

	For the year ended 31 December	
	2010	**2011**
Revenue (HK$'000)		
Residential Unit	79,726	253,098
Carparks	25,766	12,215
	105,492	265,313
Saleable GFA delivered (sq.m.)		
Residential Unit	14,092	26,193
Carparks	4,416	1,979
	18,508	28,172
Average selling price (HK$/sq.m.)		
Residential Unit	5,658	9,663
Carparks	5,835	6,172

During the Track Record Period, the Group had adopted certain promotion strategies to boost sales and pre-sales at different stages of the residential units of Fond England as follows:

1. In July 2011, the Group reduced up to approximately 15.0% of the total selling price for the unsold units of Phase 2 of Fond England.

2. In October 2011, the Group launched the strategy of "fixed price" to promote the sales of Block 10 of Phase 2 of Fond England. Under such strategy, the selling price of 16 units of 2-5 floors has each been set at RMB8,680 per sq.m. while the selling price of 13 units of 6-9 floors has each been set at RMB8,800 per sq.m., representing a discount up to approximately 6.6% to the original price.

3. Commencing from January 2010, for any purchaser of any residential unit in Fond England who chooses to make payment in one lump sum to acquire the right to use any carparks allocated by the Group or of such purchaser's own selection (for so long as such purchaser remains as the owner of the residential unit), a discount of RMB5,000 to the original price has been offered. The offer has subsequently been modified in October 2011, where any purchaser who chooses to make payment in one lump sum to acquire the right to use any carparks, a discount of RMB10,000 to the original price has been offered, whereas for any payment which is financed by mortgage loan, a price cut of RMB5,000 to the original price has been offered.

4. From September up to December 2011, the Group offered an even more attractive proposition to potential purchaser(s) of residential unit(s), the Group has granted the right to use one ground carpark (for purchase of certain residential units of Block 10 of Phase 2 of Fond England) or two ground carparks (for purchase of any selected residential unit size over 160 sq.m. of certain blocks of Phase 3 of Fond England) for so long as such purchaser remains as the owner of the relevant residential unit without fee had been offered by the Group during the period.

5. In January 2010, the Group boosted sales over the Chinese New Year in 2010, a reduction of approximately 4.2% of the total selling price was given as a special offer for the unsold units of Phase 2 of Fond England.

6. During 2010 and 2011, the Group recruited some independent third parties as freelance sales agents to promote Fond England and to introduce purchasers to buy Fond England's residential units. The freelance sale agent will get commission ranging from up to RMB5,000 for a small unit to up to RMB10,000 for a large unit. If the freelance sales agent is a himself/herself/itself a purchaser-to-be of Fond England, the commission will be offered as a discount to the unit purchased by such purchaser.

7. On the launch day of Block 10 of Fond England in September 2011, the Group offered various discounts up to approximately 12.0% off the original price. To further promote the sales, the Group further reduced up to RMB50,000 per unit for a selected list of 30 units of Block 10 of Fond England soon after the launch day.

The value of the above mentioned discounts offered by the Group were amounted to approximately HK$0.2 million, HK$10.0 million and HK$0.2 million for the two years ended 31 December 2011 and the six months ended 30 June 2012 respectively. During the Track Record Period, the Group recorded its revenue according to the selling price as stated in the sales and purchase contract, which has taken into account all price discounts provided by the Group.

As disclosed above, the Group introduced certain promotional strategies to promote sales and pre-sales of Fond England from time to time. Since the commencement of pre-sales of Fond England, 12 units of Fond England have been pre-sold/sold to certain staff members of the Group under the attractive selling price while 8 out of the 12 units with total GFA of approximately 712 sq.m. have been sold and delivered to these staff members of the Group during the Track Record Period, representing approximately 1.5% of the total GFA sold and delivered during the Track Record Period. The sales proceeds received amounted to approximately RMB2.9 million (equivalent to approximately HK$3.3 million) for such 8 units. The average selling price of residential units increased from HK$5,658 per sq.m. to HK$9,663 per sq.m. in 2011 as compared to 2010. Certain units of Phase 2 of Fond England were pre-sold to the public at a higher average selling prices as compared to the average selling prices of Phase 1 of Fond England. The Directors believe that in order to enhance the public awareness of Fond England, the Group offered attractive selling prices in Phase 1 of Fond England while Phase 2 of Fond England was offered to public at the market price level. As those pre-sold units of Phase 1 of Fond England were delivered in 2010, while those units pre-sold of Phase 2 of Fond England were delivered in 2011, the average selling price increased in 2011 which was generally in line with the market trend in Nanning.

The average selling price of carparks increased slightly in 2011 as compared to 2010 as the Directors believe that it would stimulate the potential home purchasers to purchase the residential units together with a carpark by offering attractive carparks selling price to potential home purchasers in 2010.

In respect of the independent freelance sales agent appointed by the Group, during the Track Record Period, the Group recruited 40, 28 and 2 freelance sales agents for the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 respectively. The commission expenses incurred by the Group were approximately HK$411,000, HK$295,000 and HK$12,000 for the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 respectively.

Rental income from investment properties

Revenue derived from rental income increased by 18.4% to approximately HK$44.4 million for the year ended 31 December 2011 from approximately HK$37.5 million for the year ended 31 December 2010. The increase in rental income was primarily due to taking into account the full year contribution of rental income generated from Xinan Shangdu and Lvdu Shangsha which was delivered to the Group in May 2010 and the increase in rental income of certain leased properties as a result of the renewal of tenancy agreements in 2011.

Building management income

Income from providing building management service increased by 5.5% to approximately HK$17.4 million for the year ended 31 December 2011 from approximately HK$16.5 million for the year ended 31 December 2010. This increase was due to growth in the estate management area arising from residents moving-in of Fond England Phase 1 and 2, and increase in commercial estate management fee from new commercial management projects.

Consultancy service income

Revenue derived from providing advisory and consultancy services to third party developers decreased by 62.9% to approximately HK$1.3 million for the year ended 31 December 2011 from approximately HK$3.5 million for the year ended 31 December 2010. The decrease was primarily due to the decrease in the number of consultancy projects that the Group were engaged in for providing property related consulting services during 2011.

Cost of sales

Cost of sales increased by 97.5% to approximately HK$197.1 million for the year ended 31 December 2011 from approximately HK$99.8 million for the year ended 31 December 2010. This result was primarily attributable to the increase in saleable GFA sold and delivered in relation to Fond England during 2011.

Gross profit and gross profit margin

The gross profit amounted to HK$63.3 million and HK$131.4 million for the years ended 31 December 2010 and 2011, representing gross profit margin of approximately 38.8% and 40.0% respectively. The gross profit margin of the Group by operating segments for the years ended 31 December 2010 and 2011 are set out as follows:

	For the years ended 31 December	
	2010	**2011**
Property development	27.8%	35.8%
Property leasing	69.9%	67.1%
Building management services	34.6%	36.7%
Advisory and consultancy services	55.7%	17.4%

The overall gross profit margin increased from approximately 38.8% for the year ended 31 December 2010 to approximately 40.0% for the year ended 31 December 2011 mainly due to the increase in sales of properties which has a higher gross profit margin.

The gross profit margin for the property development has increased from approximately 27.8% for the year ended 31 December 2010 to approximately 35.8% for the year ended 31 December 2011. The Group only sold Phase 1 of Fond England for the year ended 31 December 2010 and mainly sold Phase 2 of Fond England for the year ended 31 December 2011. The increase was primarily attributable to the increase in total GFA sold and higher average selling price of Phase 2 of Fond England for the year ended 31 December 2011.

The gross profit margin for the property leasing has slightly decreased from approximately 69.9% for the year ended 31 December 2010 to approximately 67.1% for the year ended 31 December 2011. As No. 10 West Street and Yu Feng High Street have newly rented out during the year ended 31 December 2011, more cost and manpower have been allocated to the new leasing projects.

The gross profit margin for the building management services is stable and has slightly increased from approximately 34.6% for the year ended 31 December 2010 to approximately 36.7% for the year ended 31 December 2011.

The gross profit margin for the advisory and consultancy services has decreased from approximately 55.7% for the year ended 31 December 2010 to approximately 17.4% for the year ended 31 December 2011. The Group has provided property consultancy services and property agency services and the gross profit margin varied for each project or service provided.

Other income

Other income increased by 393.8% to approximately HK$7.9 million for the year ended 31 December 2011 from approximately HK$1.6 million for the year ended 31 December 2010.

The fluctuation during the Track Record Period was primarily due to the gain on disposals of property, plant and equipment to Dr. Lee in 2011.

Gain on changes in fair value of investment properties

The gain on changes in fair value of the investment properties increased by 51.0% to a gain of approximately HK$46.5 million for the year ended 31 December 2011 from a gain of approximately HK$30.8 million for the year ended 31 December 2010. Investment approach has been adopted for valuation of all investment properties of the Group by DTZ. The increase in fair value gain for the year ended 31 December 2011 was mainly due to significant increase in the occupancy rates and the rental rates of retail shops of the Group during that year.

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 31 December				Fair value of investment properties as at 31 December			Changes in fair value		
		2010		2011		2009	2010	2011	2009 vs. 2010	2010 vs. 2011	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
1	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Carparking: 20 Retail: 415 Office: 70	Carparking: 6.5% Retail: 9% Office: 9%	Carparking: 20 Retail: 475 Office: 78	Carparking: 6.5% Retail: 9% Office: 9%	147,768	169,000	183,000	21,232	14,000	*(i)*
2	Yu Feng High Street, front yard of No. 107, Room No. 1 on 1/F and 2/F of No. 107-1 and No. 113 Minsheng Road, Nanning Guangxi Zhuang Autonomous District, the PRC	176	9.0%	182	9.0%	103,436	101,166	136,752	(2,270)	35,586	*(ii)*
3	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	540	9.0%	550	9.0%	2,209	2,430	2,500	221	70	*(i)*
4	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	345	9.0%	364	9.0%	13,295	14,800	15,700	1,505	900	*(i)*

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 31 December				Fair value of investment properties as at 31 December			Changes in fair value		
		2010		2011		2009	2010	2011	2009 vs. 2010	2010 vs. 2011	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
5	No. 10 West Street, front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	46	9.0%	54	9.0%	11,422	17,411	18,300	5,989	889	*(iii)*
6	1/F of No. 119 Xingning Road and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	1100	9.0%	1250	9.0%	58,897	68,000	71,000	9,103	3,000	*(i)*
7	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	151	6.5%	161	6.5%	16,837	19,000	21,000	2,163	2,000	*(i)*
8	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	135	6.5%	140	6.5%	41,006	45,564	48,000	4,558	2,436	*(i)*
9	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	120	6.5%	130	6.5%	4,346	4,828	5,200	482	372	*(i)*
10	No. 99 and 99-1 Huaqiang Road; and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	86	6.5%	90	6.5%	2,562	2,819	3,000	257	181	*(i)*

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 31 December				Fair value of investment properties as at 31 December			Changes in fair value		
		2010		2011		2009	2010	2011	2009 vs. 2010	2010 vs. 2011	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
11	1/F of Block No. 1 of No. 220-4 and No. 220-5; and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	97	6.5%	100	6.5%	2,666	2,900	3,000	234	100	*(i)*
12	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	90	6.5%	92	6.5%	4,776	5,400	5,500	624	100	*(i)*
13	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	29	6.5%	30	6.5%	1,126	921	980	(205)	59	*(iv)*
14	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	5	10.0%	6	10.0%	831	826	846	(5)	20	*(iv)*
15	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	90	6.5%	95	6.5%	6,772	7,500	7,900	728	400	*(i)*
16	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	N/A	N/A	N/A	N/A	—	—	—	—	—	*(v)*

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 31 December				Fair value of investment properties as at 31 December			Changes in fair value		
		2010		2011		2009	2010	2011	2009 vs. 2010	2010 vs. 2011	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
17	The development site known as Liyuan Residential Development, No. 128 Liyuan Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC*	N/A	N/A	N/A	N/A	8,098	—	—	(8,098)	—	*(vi)*
18	Retail unit No. 23 and residential unit No. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	390	Retail: 9% Residential: 4%	405	Retail: 9% Residential: 4%	—	44,200	47,857	44,200	3,657	*(vii)*
19	4 retail units of 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	220	9.0%	222	9.0%	—	2,693	2,716	2,693	23	*(vii)*
Total market value for the investment properties located in China as per accountants' report (RMB)						**426,047**	**509,458**	**573,251**	**83,411**	**63,793**	
Total market value for the investment properties located in China as per accountants' report (HK$)						**484,032**	**603,045**	**707,392**	**94,812**	**76,998**	
20	Office No. 3517 on 35th Floor, Wu Chung House, No. 213 Queen's Road East, Wanchai, Hong Kong (HK$)					—	—	7,700	—	7,700	
Total market value for the investment properties as per accountants' report (HK$)						**484,032**	**603,045**	**715,092**	**94,812**	**84,698**	

* Currently known as Li Yuan Project, No. 128 Daxue Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC

Reconciliation of gain on changes in fair value of investment properties for the years ended 31 December 2010 and 2011

	2010	2011
	HK$'000	*HK$'000*
Fair value changes of investment properties as at year end	94,812	84,698
Add: Transfer to inventories of properties	9,875	—
Less: Investment properties which were transferred from other receivables	(27,039)	—
Additions of investment properties, such as construction cost and interest expenses capitalised in the existing investment properties (Note viii)	(46,873)	(30,474)
Transfer from property, plant and equipment	—	(3,999)
Revaluation surplus upon transfer of owner-occupied properties to investment properties	—	(3,701)
Gain on changes in fair value of investment properties	**30,775**	**46,524**

Notes:

(i) The increase in rental rates of the Group resulted in the fair value gain derived from those properties for the years ended 31 December 2010 and 2011.

(ii) The Group commenced renovation on some properties during the year ended 31 December 2010 in order to improve rental rates for those properties resulting from the renovation, rental income of these properties decreased for the year ended 31 December 2010 and when renovation work was completed in 2011 the rental income increased and hence the fair value of the properties increased accordingly and thus drove the increase in fair value gain for the year ended 31 December 2011.

(iii) The Group has renovated some properties during the year ended 31 December 2011 in order to improve rental rates for those properties. Subsequent to the completion of the renovation work in 2010, fair value of the properties increased accordingly. The fair value gain in 2011, mainly resulted from the improvement in the Group's property rental rates during the year ended 31 December 2011.

(iv) The Group recorded a fair value loss for the year ended 31 December 2010 and a fair value gain for the year ended 31 December 2011 since there were construction and maintenance of road in front of the property frontage leading to the main road in 2010. In 2011, the road maintenance was completed and improved the environmental conditions of the property and its market value.

(v) According to the remark on the land use right certificate No. (2010) 518938, the property is situated at a site on which a road is to be built. The site is temporarily used by the Group but may be reclaimed without compensation by the relevant government authorities in the event that the road construction is launched. As at the Latest Practicable Date, the Group has not received any notification from the relevant local authority as to the date at which the road construction would commence. Thus, no commercial value was recorded by the Group and no fair value gain or loss has been recognised for this property.

(vi) During the year ended 31 December 2010, the Group has transferred the investment properties of HK$9.9 million to inventories of properties due to the commencement of development of the Li Yuan Project. As the development of the Li Yuan Project had commenced, no rental income was derived in 2011.

(vii) The properties have been transferred from other receivables to investment properties in 2010 as the properties have been delivered to the Group and a fair value of RMB44.2 million was recorded upon the transfer. The properties have been legally rented out during the year ended 31 December 2011 and an additional increase of fair value has been recorded.

(viii) The additions of investment properties are construction cost, renovation cost and interest expenses capitalised in the existing investment properties. The Group renovated some properties, mainly Yu Feng High Street and No. 10 West Street in order to improve rental rates for those properties resulting from the renovation. For the year ended 31 December 2010, the renovation costs of Yu Feng High Street, No. 10 West Street and other properties are approximately HK$21.2 million, HK$9.8 million and HK$11.4 million respectively. For the year ended 31 December 2011, the renovation costs of Yu Feng High Street and No. 10 West Street are approximately HK$23.4 million and HK$1.6 million respectively. The Group has loan financing for the renovation of the investment properties and the interest expenses have been capitalised of approximately HK$4.5 million and HK$5.5 million for the years ended 31 December 2010 and 2011 respectively.

Selling expenses

Selling expenses decreased by 20.4% to approximately HK$9.0 million for the year ended 31 December 2011 from approximately HK$11.3 million for the year ended 31 December 2010. The Group's advertising and promotional costs in the two years under review were incurred primarily to the marketing and promotion of the new property development projects of Phases 2 and 3 of Fond England. The advertising and promotional costs are HK$9.2 million and HK$5.5 million for the years ended 31 December 2010 and 2011. The advertising and promotional costs are recognised as selling expenses when the respective services are received. With the completion of Phase 1 of Fond England in 2010 and pre-sales for Phase 2 and 3 of Fond England being launched in 2010, the Group carried out a number of campaigns to promote Fond England including advertisements on buildings, public vehicles, newspaper and television. The extensive marketing and promotion activities held in 2010 resulted in more advertising and promotional costs in that year as compared to 2011.

Administrative expenses

Administrative expenses increased by 16.0% to approximately HK$42.1 million for the year ended 31 December 2011 from approximately HK$36.3 million for the year ended 31 December 2010, primarily caused by the increase in listing expenses of approximately HK$5.9 million.

A compensation of RMB2.0 million to Nanning Real Estate Management Bureau was included in the administrative expenses of 2010 for the settlement of a dispute. According to the Settlement Agreement of Historical Issues of the House at No.10 Xingning Xi Street dated 5 February 2010 entered into by and between Bai Yi Commercial and Nanning Real Estate Management Bureau, Bai Yi Commercial, under its former name, Nanning Food and Beverage Company had leased the premises at No. 10 Xingning Xi Street from Nanning Real Estate Management Bureau. In 1977, Bai Yi Commercial rebuilt the premises without the approval of Nanning Real Estate Management Bureau and obtained the ownership certificate in 1995 and stopped paying rent to Nanning Real Estate Management Bureau. After restructuring, Bai Yi Commercial attended to the transfer formalities in respect of the land on which buildings were erected.

In order to resolve this ownership issue regarding No. 10 Xingning Xi Street, and after negotiation, Bai Yi Commercial agreed to pay an aggregate amount of RMB2.0 million to Nanning Real Estate Management Bureau as compensation outstanding rent and interests (the "Agreed Settlement Fee") in return for the Nanning Real Estate Management Bureau acknowledging Bai Yi Commercial's interest in the premises at No. 10 Xingning Xi Street and as full and final settlement of the issue. Nanning Real Estate Management Bureau further agreed to assist Bai Yi Commercial in applying for the new property ownership certificate of the premises in No. 10 Xingning Xi Street.

On 5 February 2010, Bai Yi Commercial had paid the Agreed Settlement Fee and subsequently obtained the new house ownership certificate on 3 June 2010.

In order to recognise the contributions of two Directors, namely Dr. Lee and Mrs. Lee, towards the Group, a director fee of HK$4.1 million and HK$4.4 million to Dr. Lee and HK$4.2 million and HK$4.4 million to Mrs. Lee was included in the administrative expense in 2010 and 2011 respectively.

Share of loss of an associate

Share of loss of an associate was HK$51,000 and nil for the two years ended 31 December 2011, respectively, due to the loss incurred by the Group's associate, Guiping Yu Feng. Guiping Yu Feng was disposed by the Group in December 2010. Upon the completion of the disposal of Guiping Yu Feng, the Group no longer share the profit or loss of Guiping Yu Feng.

Income tax expense

The Group has recognised income tax charges of approximately HK$17.6 million and HK$37.4 million for the years ended 31 December 2010 and 2011 respectively. The Group has also recognised net deferred tax change of approximately HK$5.8 million and HK$18.9 million in relation of revaluation of investment properties, revaluation of inventories of properties, PRC LAT and PRC withholding income tax on undistributed earnings for the years ended 31 December 2010 and 2011 respectively. The normal PRC corporate income tax rate in the PRC was 25.0% during the years ended 31 December 2010 and 2011, while the Group's effective tax rates were 48.9% and 41.8% for the years ended 31 December 2010 and 2011 respectively since the Group is subject to LAT at 5.0% to 7.0% of its sales of properties in accordance with the authorised taxation method. No Hong Kong profits tax has been provided for the years ended 31 December 2010 and 2011 as the Group did not derive any assessable profit arising in Hong Kong during the years.

The Group's PRC corporate income tax increased by 96.8% to approximately HK$36.4 million for the year ended 31 December 2011 from approximately HK$18.5 million for the year ended 31 December 2010, primarily due to a significant increase in the assessable profits arising from sales of properties and rental income of investment properties. The assessable profits arising from sales of properties was primarily due to the significant increase in average selling price and GFA sold and delivered of Fond England. The assessable profits arising from rental income of investment properties was primarily due to taking into account the full year contribution of rental income from Xinan Shangdu and Lvdu Shangsha which was delivered to the Group in mid of 2010 and the increase in rental income of certain leased properties as a result of the renewal of tenancy agreement.

The Group's PRC LAT increased by 140.0% to approximately HK$12.0 million for the year ended 31 December 2011 from approximately HK$5.0 million for the year ended 31 December 2010, primarily due to an increase in GFA sold and delivered in relation to Fond England.

The Group's PRC withholding income tax increased from approximately HK$(0.1) million for the year ended 31 December 2010 to HK$7.9 million for the year ended 31 December 2011, primarily due to the undistributed earnings arising from the profits which mainly generated from the sales of properties for the year ended 31 December 2011. During the year ended 31 December 2010, the Group has provided the withholding income tax of HK$(0.1) million which resulted from the netting off effect of undistributed earnings arising from the PRC subsidiaries and declaration of dividend from PRC subsidiaries to their immediate holding companies.

Net Profit and net profit margin

The net profit amounted to HK$24.5 million and HK$78.3 million for the years ended 31 December 2010 and 2011 representing net profit margin of 15.0% and 23.8% respectively. The net profit/(loss) margin of the Group by operating segments for the years ended 31 December 2010 and 2011 are set out as follows:

	For the year ended 31 December	
	2010	**2011**
Property development	2.5%	24.3%
Property leasing (excluding gain on changes in fair value of investment properties and corresponding deferred tax on the gain on changes in fair value of investment properties)	39.7%	44.5%
Building management services	12.8%	3.8%
Advisory and consultancy services	34.7%	N/A

The overall net profit margin has increased from approximately 15.0% for the year ended 31 December 2010 to approximately 23.8% for the year ended 31 December 2011 mainly due to the increase in sales of properties which has a higher net profit margin.

The net profit margin for the property development has increased from approximately 2.5% for the year ended 31 December 2010 to approximately 24.3% for the year ended 31 December 2011. The increase was primarily attributable to the increase in total GFA sold and higher average selling price of Phase 2 of Fond England and decrease in promotion cost for the year ended 31 December 2011. The low net profit margin for the year ended 31 December 2010 was mainly attributable to the high promotion cost of HK$9.2 million for the year ended 31 December 2010. With the completion of Phase 1 of Fond England and pre-sales for Phase 2 and 3 of Fond England being launched during the year ended 31 December 2010, the Group carried out a number of campaigns to promote Fond England including advertisements on buildings, public vehicles, newspaper and television. The extensive marketing and promotion activities held resulted in more advertising and promotional costs for the year ended 31 December 2010. Since the Group had adopted various promotion strategies and discounts to boost sales and pre-sales in 2011 as disclosed in page 246 and page 248, less promotional and marketing expenses was incurred in public media like advertisement on buildings, newspaper and public vehicles. During the year ended 31 December 2011, the Directors controlled the promotion cost and the promotion cost decreased to HK$5.5 million accordingly.

The net profit margin for the property leasing has increased from approximately 39.7% for the year ended 31 December 2010 to approximately 44.5% for the year ended 31 December 2011. As No. 10 West Street and Yu Feng High Street have newly rented out during the year ended 31 December 2011 which resulted in higher rental income received from the new leasing projects.

The net profit margin for the building management services has decreased from approximately 12.8% for the year ended 31 December 2010 to approximately 3.8% for the year ended 31 December 2011. No. 10 West Street and Yu Feng High Street have newly rented out during the year ended 31 December 2011 and the Group has provided the building management services to the new tenants of No. 10 West Street and Yu Feng High Street. More administrative and selling expenses have been allocated to the new leasing projects and the net profit margin decreased accordingly.

The net profit margin for the advisory and consultancy services has decreased from approximately 34.7% for the year ended 31 December 2010 to a net loss for the year ended 31 December 2011. The decrease mainly attributable to the decrease in the number of consultancy projects engaged in for providing property related consulting services and the operating segment has borne the fixed administrative cost during the year ended 31 December 2011.

Other comprehensive income

Exchange gain increased by 15.3% to approximately HK$20.4 million for the year ended 31 December 2011 from approximately HK$17.7 million for the year ended 31 December 2010 primarily as a result of the positive exchange difference on the translation of the financial statements of the PRC operations of the Group. A significant increase in the exchange gain on the translation of the financial statements of the PRC operations amounted to approximately HK$20.4 million in 2011 as compared to approximately HK$17.7 million in 2010 as Hong Kong dollars were weakened by 4.2% against Renminbi in 2011 as compared to 2010.

The net exchange gain of HK$17.7 million for the year ended 31 December 2010, mainly resulted from the exchange gain of HK$24.2 million from investment properties, exchange gain of HK$11.0 million from inventories of properties and exchange gain of HK$5.5 million from cash and cash equivalents, netting off with exchange loss of HK$9.6 million from advances received from the pre-sale of properties under development and properties held for sale, exchange loss of HK$6.1 million from interest-bearing borrowings and exchange loss of HK$5.5 million from deferred tax liabilities. The net exchange gain of HK$17.7 million for the year ended 31 December 2010, increased the net assets and total equity of HK$17.7 million as at 31 December 2010.

The net exchange gain of HK$20.4 million for the year ended 31 December 2011, mainly resulted from the exchange gain of HK$27.3 million from investment properties, exchange gain of HK$13.3 million from inventories of properties and exchange gain of HK$6.0 million from cash and cash equivalents, netting off with exchange loss of HK$11.5 million from advances received from the pre-sale of properties under development and properties held for sale, exchange loss of HK$6.4 million from interest-bearing borrowings and exchange loss of HK$6.3 million from deferred tax liabilities. The net exchange gain of HK$20.4 million for the year ended 31 December 2011, increased the net assets and total equity of HK$20.4 million as at 31 December 2011.

Non-controlling interests

Profit for the year attributable to non-controlling interests increased by 203.8% due to the increase in net profit of the Group. Profit after taxation attributable to non-controlling interests for the years ended 31 December 2010 and 2011 were approximately HK$2.6 million and approximately HK$7.9 million respectively.

For the six months ended 30 June 2012 compared to six months ended 30 June 2011

Revenue

Revenue of the Group for the six months ended 30 June 2012 increased by 331.7% from approximately HK$40.7 million for the six months ended 30 June 2011 to approximately HK$175.7 million for the six months ended 30 June 2012. The increase was primarily due to the increase in the sales of properties.

Sales of properties

Revenue derived from sales of properties increased from approximately HK$9.0 million to approximately HK$132.9 million for the six months ended 30 June 2012. The increase was due to the increase in the sales and delivery of properties.

The table below sets out the revenue, saleable GFA delivered and average selling price for properties delivered for Fond England for the six months ended 30 June 2011 and 2012:

	For the six months ended 30 June	
	2011	**2012**
Revenue (HK$'000)		
Residential Unit	4,684	112,982
Carparks	4,329	19,937
	9,013	132,919
Saleable GFA delivered (sq.m.)		
Residential Unit	506	10,776
Carparks	709	5,414
	1,215	16,190
Average selling price (HK$/sq.m.)		
Residential Unit	9,257	10,485
Carparks	6,106	3,682

Rental income from investment properties

Revenue derived from rental income increased by approximately 30.7% from approximately HK$21.8 million for the six months ended 30 June 2011 to approximately HK$28.5 million for the six months ended 30 June 2012, such increase was mainly due to the increase in rental income from various investment properties.

Building management income

Revenue derived from provision of building management services increased by 6.5% from approximately HK$9.3 million for the six months ended 30 June 2011 to approximately HK$9.9 million for the six months ended 30 June 2012, such increase was mainly due to the further increase estate management area arising from the on-going moving in of residents to Fond England.

Consultancy service income

Revenue derived from provision of consultancy services increased from approximately HK$0.6 million for the six months ended 30 June 2011 to approximately HK$4.3 million for the six months ended 30 June 2012, such increase was mainly due to the increase in number of consultancy projects during the six months ended 30 June 2012.

Cost of sales

Cost of sales increased by 502.6% to approximately HK$116.3 million for the six months ended 30 June 2012 from approximately HK$19.3 million for the six months ended 30 June 2011. The increase was attributable primarily to the increase in saleable GFA sold and delivered in relation to Fond England during the first half of 2012.

Gross profit and gross profit margin

The gross profit amounted to approximately HK$21.4 million and HK$59.3 million for the six months ended 30 June 2011 and 2012, representing gross profit margin of 52.5% and 33.8% respectively. The gross profit for the six months ended 30 June 2011 and 2012 are set out as follows:

	For the six months ended 30 June	
	2011	**2012**
Property development	18.0%	23.2%
Property leasing	68.4%	72.8%
Building management services	49.3%	47.2%
Advisory and consultancy services	41.8%	72.1%

The overall gross profit margin has decreased from approximately 52.5% for the six months ended 30 June 2011 to approximately 33.8% for the six months ended 30 June 2012. During the six months ended 30 June 2011, the Group's gross profit was mainly derived from property leasing and property management services which have higher gross profit margin, therefore, resulting in higher gross profit margin during the six months ended 30 June 2011 as compared to the six months ended 30 June 2012.

The gross profit margin for the property development has increased from approximately 18.0% for the six months ended 30 June 2011 to approximately 23.2% for the six months ended 30 June 2012. The Group mainly sold carparks of Phase 1 of Fond England for the six months ended 30 June 2011 and mainly sold residential units and carparks spaces of Fond England for the six months ended 30 June 2012. The increase was primarily attributable to the sales and delivery of residential units of Phase 2 of Fond England which had a higher gross profit margin during the six months ended 30 June 2012.

The gross profit margin for the property leasing has slightly increased from approximately 68.4% for the six months ended 30 June 2011 to approximately 72.8% for the six months ended 30 June 2012 since Yu Feng High Street has newly rented out during the second half year of 2011 which resulted in higher rental income received from the new leasing projects.

The gross profit margin for the building management services has slightly decreased from approximately 49.3% for the six months ended 30 June 2011 to approximately 47.2% for the six months ended 30 June 2012.

The gross profit margin for the advisory and consultancy services has increased from approximately 41.8% for the six months ended 30 June 2011 to approximately 72.1% for the six months ended 30 June 2012. The Group has provided property consultancy services and property agency services and the gross profit margin varied for each project or service provided.

Other income

Other income decreased by approximately HK$4.7 million from approximately HK$6.2 million for the six months ended 30 June 2011 to approximately HK$1.5 million for the six months ended 30 June 2012.

The fluctuation during the Track Record Period was primarily due to the gain on disposals of property, plant and equipment to Dr. Lee in the first half of 2011.

Gain on changes in fair value of investment properties

The gain on changes in fair value of the investment properties increased by 624.6% to a gain of approximately HK$50.0 million for the six months ended 30 June 2012 from a gain of approximately HK$6.9 million for the six months ended 30 June 2011. Investment approach has been adopted for valuation of all investment properties of the Group by DTZ. The increase in fair value gain for the six months ended 30 June 2012 was mainly due to significant increase in gross floor area of property No.2.

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 30 June				Fair value of investment properties				Changes in fair value		
		2011		2012		As at 31 December 2010	As at 30 June 2011	As at 31 December 2011	As at 30 June 2012	As at 31 December 2010 vs. as at 30 June 2011	As at 31 December 2011 vs. as at 30 June 2012	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
1	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	Carparking: 20 Retail: 380 Office: 75	Carparking: 6.5% Retail: 9% Office: 9%	Carparking: 20 Retail: 475 Office: 80	Carparking: 6.5% Retail: 9% Office: 9%	169,000	170,000	183,000	184,000	1,000	1,000	*(i)*
2	Yu Feng High Street, front yard of No. 107, Room No. 1 on 1/F and 2/F of No. 107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	176	9.0%	176	9.0%	101,166	106,752	136,752	175,000	5,586	38,248	*(ii)*
3	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	540	9.0%	550	9.0%	2,430	2,500	2,500	2,400	70	(100)	*(iii)*

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 30 June				Fair value of investment properties				Changes in fair value		
		2011		2012		As at 31 December 2010	As at 30 June 2011	As at 31 December 2011	As at 30 June 2012	As at 31 December 2010 vs. as at 30 June 2011	As at 31 December 2011 vs. as at 30 June 2012	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
4	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F of and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	355	9.0%	380	9.0%	14,800	15,000	15,700	15,800	200	100	*(i)*
5	No. 10 West Street, front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	48	9.0%	54	9.0%	17,411	18,131	18,300	18,400	720	100	*(i)*
6	1/F of No. 119 Xingning Road and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	1,200	9.0%	1250	9.0%	68,000	68,000	71,000	72,000	—	1,000	*(iv)*
7	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	160	6.5%	161	6.5%	19,000	20,000	21,000	21,000	1,000	—	*(v)*

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 30 June				Fair value of investment properties				Changes in fair value		
		2011		2012		As at 31 December 2010	As at 30 June 2011	As at 31 December 2011	As at 30 June 2012	As at 31 December 2010 vs. as at 30 June 2011	As at 31 December 2011 vs. as at 30 June 2012	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
8	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	140	6.5%	140	6.5%	45,564	47,000	48,000	49,000	1,436	1,000	*(i)*
9	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	123	6.5%	130	6.5%	4,828	4,900	5,200	5,200	72	—	*(v)*
10	No. 99 and 99-1 Huaqiang Road; and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	88	6.5%	90	6.5%	2,819	2,900	3,000	3,000	81	—	*(v)*
11	1/F of Block No.1 of No. 220-4 and No. 220-5 and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	100	6.5%	100	6.5%	2,900	2,900	3,000	3,100	—	100	*(iv)*
12	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	92	6.5%	92	6.5%	5,400	5,400	5,500	5,600	—	100	*(iv)*

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 30 June				Fair value of investment properties				Changes in fair value		Notes
		2011		2012		As at 31 December 2010	As at 30 June 2011	As at 31 December 2011	As at 30 June 2012	As at 31 December 2010 vs. as at 30 June 2011	As at 31 December 2011 vs. as at 30 June 2012	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
13	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	30	6.5%	30	6.5%	921	950	980	990	29	10	*(i)*
14	Block No. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	6	10.0%	6	10.0%	826	850	846	843	24	(3)	*(iii)*
15	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	90	6.5%	96	6.5%	7,500	7,500	7,900	7,900	—	—	*(vi)*
16	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	N/A	N/A	N/A	N/A	—	—	—	—	—	—	*(vii)*
17	The development site known as Liyuan Residential Development, No. 128 Liyuan Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC*	N/A	N/A	N/A	N/A	—	—	—	—	—	—	*(viii)*

* Currently known as Li Yuan Project, No. 128 Daxue Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC

No.	Property address	Key assumptions and estimates for deriving the fair value of investment properties as at 30 June				Fair value of investment properties				Changes in fair value		
		2011		2012		As at 31 December 2010	As at 30 June 2011	As at 31 December 2011	As at 30 June 2012	As at 31 December 2010 vs. as at 30 June 2011	As at 31 December 2011 vs. as at 30 June 2012	
		Monthly unit market rental (RMB/sq.m.)	*Market yield rate*	*Monthly unit market rental (RMB/sq.m.)*	*Market yield rate*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*
18	Retail unit No. 23 and residential unit No. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	373	Retail: 9% Residential: 4%	406	Retail: 9% Residential: 4%	44,200	44,376	47,857	48,200	176	343	*(ix)*
19	4 retail units of 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	222	9.0%	406	9.0%	2,693	2,712	2,716	2,720	19	4	*(ix)*
Total market value for the investment properties located in China as per accountants' report (RMB)						**509,458**	**519,871**	**573,251**	**615,153**	**10,413**	**41,902**	
Total market value for the investment properties located in China as per accountants' report (HK$)						**603,045**	**625,925**	**707,392**	**751,348**	**12,421**	**51,405**	
20	Office No. 3517 on 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong (HK$)					—	7,700	7,700	8,500	7,700	800	
Total market value for the investment properties as per accountants' report (HK$)						**603,045**	**633,625**	**715,092**	**759,848**	**20,121**	**52,205**	

Reconciliation of gain on changes in fair value of investment properties for the six months ended 30 June 2011 and 2012

	For the six months ended 2011 HK$'000	2012 HK$'000
Fair value changes of investment properties as at year end	20,121	52,205
Less: Additions of investment properties, such as construction cost and interest expenses capitalised in the existing investment properties (Note x)	(5,521)	(2,251)
Transfer from property, plant and equipment	(3,999)	—
Revaluation surplus upon transfer of owner-occupied properties to investment properties	(3,701)	—
Gain on changes in fair value of investment properties	**6,900**	**49,954**

Notes:

(i) The increase in rental rates of the Group results in the fair value gain derived from those properties for the six months ended 30 June 2011 and 2012.

(ii) The Group commenced renovation on some properties prior to 2011 in order to improve rental rates for those properties resulting from the renovation. Upon the completion of renovation work in 2011, the rental income increased and hence the fair value of the properties increased accordingly and thus drove the fair value increase for the six months ended 30 June 2011 and 2012. Moreover, the increase in the gross floor area of ownership certificate approved by the relevant local authority contributed to the significant fair value gain for the six months ended 30 June 2012.

(iii) These properties' rental rates and market yield rates are stable for the six months ended 30 June 2011 and 2012. The fair value changes derived from these properties are insignificant.

(iv) These properties' rental rates and market yield rates are stable for the six months ended 30 June 2011 and no fair value changes derived from these properties. These properties' rental rates improved for the six months ended 30 June 2012 and fair value gain derived from these properties accordingly.

(v) These properties' rental rates improved for the six months ended 30 June 2011 and fair value gain derived from these properties accordingly. These properties' rental rates and market yield rates are stable for the six months ended 30 June 2012 and no fair value changes derived from these properties.

(vi) The fair value of these properties increased from RMB7.5 million as at 30 June 2011 to RMB7.9 million as at 31 December 2011. However, since the fair values of these properties as at 31 December 2010 and 30 June 2011 are the same and the fair values of these properties as at 31 December 2011 and 30 June 2012 are also the same, no fair value change derived during the six months ended 30 June 2011 and 2012 respectively.

(vii) According to the remark on the land use right certificate No. (2010) 518938, the property is situated at a site on which a road is to be built. The site is temporarily used by the Group but may be reclaimed without compensation by the relevant government authorities in the event that the road construction is launched. As at the Latest Practicable Date, the Group has not received any notification from the relevant local authority as to the date at which the road construction would commence. Thus, no commercial value was recorded by the Group and no fair value gain or loss has been recognised for this property.

(viii) In 2010, the Group has transferred the investment properties of HK$9.9 million to inventories of properties due to the commencement of development of the Li Yuan Project. As the development of the Li Yuan Project had commenced, no rental income was derived from 2011 onwards.

(ix) The properties have been transferred from other receivables to investment properties in 2010 and they have been legally rent out during the six months ended 30 June 2011 and 2012. The Group recorded a fair value gain with rental rates generally increased for the six months ended 30 June 2011 and 2012.

(x) For the six months ended 30 June 2011, the additions of investment properties are renovation cost and interest expenses capitalised in the existing investment properties. The Group renovated some properties, mainly Yu Feng High Street and No. 10 West Street in order to improve rental rates for those properties resulting from the renovation. The renovation costs of Yu Feng High Street and No. 10 West Street are approximately HK$2.3 million and HK$0.6 million respectively. The Group has loan financing for the renovation of the investment properties and the interest expenses have been capitalised of approximately HK$2.6 million. For the six months ended 30 June 2012, the additions of investment properties are interest expenses capitalised in the existing investment properties. The Group has loan financing for the renovation of the investment properties and the interest expenses have been capitalised of approximately HK$2.3 million.

Selling expenses

Selling expenses increased by 85.7% to approximately HK$3.9 million for the six months ended 30 June 2012 from approximately HK$2.1 million for the six months ended 30 June 2011. The Group's selling expenses in the two corresponding periods were incurred primarily due to the marketing and promotion of the new property development projects of Fond England and sales commission to sales agents. The advertising and promotional costs are HK$1.7 million and HK$2.2 million for the six months ended 30 June 2011 and 2012. The advertising and promotional costs are recognised as selling expenses when the respective services are received. The increase in sales of properties in the first half of 2012 resulted in the increase in sales commission to sales agents in the first half of 2012 as compared to 2011.

Administrative expenses

Administrative expenses increased by 14.0% to approximately HK$26.1 million for the six months ended 30 June 2012 from approximately HK$22.9 million for the six months ended 30 June 2011. The increase in administrative expenses was primarily due to the increase in staff cost and listing expenses during the first half of 2012.

Share of loss of an associate

Guiping Yu Feng was disposed by the Group in December 2010. Upon the completion of the disposal of Guiping Yu Feng, the Group no longer shares the profit or loss of Guiping Yu Feng.

Income tax expense

The Group's income tax expense increased substantially from HK$3.4 million for the six months ended 30 June 2011 to HK$34.2 million for the six months ended 30 June 2012. The substantial increase was contributed by the increase in sales of properties during the first half of 2012 as compared to the first half of 2011.

The Group has recognised income tax charges of HK$0.4 million and HK$18.6 million for the six months ended 30 June 2011 and 2012 respectively. The Group has also recognised net deferred tax change HK$2.9 million and HK$15.6 million in relation of revaluation of investment properties, revaluation of inventories of properties, PRC LAT and PRC withholding tax on undistributed earnings for the six months ended 30 June 2011 and 2012 respectively. The normal PRC corporate income tax rate in the PRC was 25.0% during the six months ended 30 June 2011 and 2012, while the Group's effective tax rates were 35.6% and 42.3% for the six months ended 30 June 2011 and 2012 respectively as pursuant to the written notice for the LAT assessment issued from the local tax bureau dated 20 June 2012, WTS Real Estate is subject to LAT and the LAT is calculated at 5.0% to 7.0% of its sales of properties in accordance with the authorised taxation method. No Hong Kong profits tax has been provided for the six months ended 30 June 2011 and 2012 as the Group did not derive any assessable profit arising in Hong Kong during the periods.

The Group's PRC corporate income tax increased by 795.0% to approximately HK$17.9 million for the six months ended 30 June 2012 from approximately HK$2.0 million for the six months ended 30 June 2011, primarily due to a significant increase in the assessable profits arising from sales of properties and property leasing. The assessable profits arising from sales of properties was primarily due to the significant increase in average selling price and GFA sold and delivered of Fond England. The assessable profits arising from rental income of investment properties was primarily due to No. 10 West Street and Yu Feng High Street have newly rented out during the second half year of 2011.

The Group's PRC LAT increased by 1,120.0% to approximately HK$12.2 million for the six months ended 30 June 2012 from approximately HK$1.0 million for the six months ended 30 June 2011, primarily due to an increase in GFA sold and delivered in relation to Fond England.

The Group's PRC withholding income increased by 1,233.3% to approximately HK$4.0 million for the six months ended 30 June 2012 from HK$0.3 million for the six months ended 30 June 2011, primarily due to the undistributed earnings arising from the profits mainly generated from the sales of properties for the six months ended 30 June 2012. During the six months ended 30 June 2011, the Group has provided the withholding income tax of HK$0.3 million which resulted from the netting off effect of undistributed earnings arising from the PRC subsidiaries and declaration of dividend from the PRC subsidiaries to their immediate holding companies.

Net profit and net profit margin

The net profit amounted to HK$6.1 million and HK$46.6 million for the six months ended 30 June 2011 and 2012, representing net profit margin of 15.0% and 26.5% respectively. The net profit/(loss) margin of the Group by operating segments for the six months ended 30 June 2011 and 2012 is set out as follows:

	For the six months ended 30 June	
	2011	**2012**
Property development	N/A	6.6%
Property leasing (excluding gain on changes in fair value of investment properties and corresponding deferred tax on the gain on changes in fair value of investment properties)	44.7%	50.1%
Building management services	21.3%	21.0%
Advisory and consultancy services	N/A	66.0%

The overall net profit margin has increased from approximately 15.0% for the six months ended 30 June 2011 to approximately 26.5% for the six months ended 30 June 2012. The increase was also attributable to the increase in fair value gain on investment properties as a result of obtaining of land use rights for Yu Feng High Street.

The Group made a net loss in respect of the property development in the first half of 2011, as a result of the low delivery of residential units of Fond England. The Group recorded a net profit margin for the property development for the first half of 2012 of approximately 6.6%. The improvement in the first half of 2012 was attributable to the increase in sales and delivery of residential units and carparks of Fond England.

The net profit margin for the property leasing business increased from approximately 44.7% for the first half of 2011 to approximately 50.1% for the first half of 2012 since Yu Feng High Street has newly rented out during the second half year of 2011 which resulted in higher rental income received from the new leasing projects.

The net profit margin for the property management services remained at comparable levels of approximately 21.3% and 21.0% for the first half of 2011 and 2012 respectively.

The Group made a net loss in respect of the consultancy services, as a result of the decrease in consultancy projects and the fixed administrative cost during the first half of 2011. The net profit margin for the consultancy services for the first half of 2012 was approximately 66.0%. The recovery on net profit margin as compared to the first half of 2011 was attributable to the increase in number of consultancy projects during the first half of 2012.

Other comprehensive income

The Group recorded an exchange gain of approximately HK$7.6 million during the first half of 2011. The exchange gain in the first half of 2011 was mainly resulted from the exchange gain on investment properties.

For the six months ended 30 June 2012, the Group recorded an exchange loss of HK$5.4 million. The exchange loss for the six months ended 30 June 2012 was mainly resulted from the exchange loss on investment properties.

Non-controlling interests

Profit for the period attributable to non-controlling interests in the first half of 2012 increased by 866.7% from HK$0.6 million for the first half in 2011 to HK$5.8 million for the first half of 2012 due to the increase in net profit of the Group for the corresponding period.

CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Property, plant and equipment consist of leasehold land and buildings, leasehold improvement, furniture and fixtures, plant and machinery, motor vehicles and yacht. As of 31 December 2010 and 2011 and 30 June 2012, the net book values of the Group's property, plant and equipment were approximately HK$15.8 million, approximately HK$10.4 million and approximately HK$9.5 million respectively.

As at 31 December 2010 and 2011 and 30 June 2012, bank borrowings were secured on property, plant and equipment with the carrying value of HK$8.3 million, HK$3.9 million and HK$3.9 million respectively.

Interests in leasehold land

The Group has adopted the HKAS 17 (Amendments) - Lease. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and replaced with the rule that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group has assessed the classification of unexpired leasehold land on the basis of information existing at the inception of those leases according to the transitional provisions in the amendment, and recognised the leasehold land in Hong Kong as a finance lease and grouped under "property, plant and equipment". The leasehold land in the PRC is classified as "interests in leasehold land".

Interests in leasehold land consist of the cost of acquiring rights to use and occupy the relevant parcels of land mainly for the properties used by the Group in the PRC, but reduced by the amortised cost that is charged to administrative expenses. The Group had aggregate interests in leasehold land of

HK$434,000, HK$439,000, and HK$428,000 as of 31 December 2010, 2011 and as of 30 June 2012 respectively. The fluctuation of the interests in leasehold land during the Track Record Period was attributable primarily to the net effect of amortised costs charged during the respective years and the exchange differences.

Interest in an associate

Interests in associates represent the 37.5% equity interests in Guiping Yu Feng held by the Group since July 2006. The business of Guiping Yu Feng constituted an insignificant portion of the Group's operation and was disposed by the Group on 30 December 2010.

Investment properties

Investment properties are the properties in respect of which the Group has retained for long-term rental yield or for capital appreciation or both. As at 31 December 2010 and 2011 and 30 June 2012, the Group held investment properties with a total GFA rentable of 19,632 sq.m., 19,636 sq.m. and 19,636 sq.m. with the fair value of approximately HK$603.0 million, HK$715.1 million and HK$759.8 million respectively, based on the revaluation conducted at those respective dates by DTZ. Investment properties increased by 18.6% to approximately HK$715.1 million as at 31 December 2011 from approximately HK$603.0 million as at 31 December 2010, primarily due to the fair value gain on investment properties of approximately HK$46.5 million, and additions of HK$30.5 million in 2011. Investment properties further increased from approximately HK$715.1 million as at 31 December 2011 to approximately HK$759.8 million as a result of the fair value gain on investment properties of approximately HK$50.0 million.

DTZ has used an investment approach by capitalising the rental income derived from existing tenancies with due provision for the revisionary income potential of the property interests, or where appropriate, direct comparison method by making reference to comparable sales transactions as available in the relevant market.

The major assumption made by DTZ in estimating the fair value of Group's investment properties for accounting purposes was consistent with those used by DTZ for the purposes of the property valuation report.

Investment properties included retail and residential units at Xinan Shangdu and Lvdu Shangsha, the value of which was amounted to HK$62.2 million as at 30 June 2012. For the year ended 31 December 2008, the Group had surrendered certain properties to the relevant authorities of the city of Nanning under a property redevelopment and refurbishment plan of Nanning. The appropriated properties were assigned by the authorities to independent property developers for re-development. In exchange for the appropriated properties, the Group was promised certain resettlement units. Upon completion of the development of the appropriated properties for the year ended 31 December 2010, the resettlement units were delivered to the Group; during year 2010, the Group had received rental income from the resettlement units. The Group had signed property transfer agreements with the independent property developers of the appropriated properties. The Group obtained the building ownership certificates in respect of the resettlement units held by the Group in Xinan Shangdu in June 2012. As confirmed by the independent property developers, the application for the land use right certificates for the parcels of land on which Xinan Shangdu and Lvdu Shangsha are situated and the building ownership certificates and the building ownership certificates of the resettlement units held by the Group in Lvdu Shangsha are in progress. As advised by the PRC Legal Advisor, the Group has significant risks and rewards of ownership of the resettlement units and is entitled to use and lease the resettlement units notwithstanding the absence of title certificates. Further, subject to the Group's complying with applicable PRC laws and regulations, there is no legal impediment for the Group to obtain the outstanding title certificates for the resettlement units. At the time when the properties were appropriated, the Group had recorded the amount of HK$27.0 million as other receivable as at 31 December 2009; there was no fair value gain or loss on the surrendered properties for the year then ended. The Directors are of the opinion that upon the delivery of the resettlement units in May 2010 the significant risks and rewards of ownership of the properties were vested with the Group. As such, the Group transferred the properties from other receivable to investment properties.

The following table sets out the carrying amount, gain on changes in fair value, rental income, portion of rental income to total income derived from property leasing and profit contribution of the unsettlement units without the building ownership certificates during the Track Record Period.

	As at 31 December		As at 30 June	
	2010	**2011**	**2011**	**2012**
Carrying amount of the unsettlement units without the building ownership certificates (HK$'000)	55,508	62,407	56,694	3,322

	For the year ended 31 December		For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
Gain on changes in fair value of the unsettlement units without the building ownership certificates (HK$'000)	26,154	4,442	233	5
Rental income of the unsettlement units without the building ownership certificates (HK$'000)	2,493	4,740	2,381	141
% to total income derived from property leasing	6.6%	10.7%	10.9%	0.5%
Profit contribution of the unsettlement units without the building ownership certificates (HK$'000)	911	2,746	795	81

Except for the resettlement units at Lvdu Shangsha as mentioned in the previous paragraphs, the Group has obtained all relevant title certificates for all of its properties as at the Latest Practicable Date.

During the year ended 31 December 2010, the Group has transferred the investment properties of HK$9.9 million to inventories of properties due to development of Li Yuan Project. The properties transferred have derived fair value gain of HK$280,000 for the year ended 31 December 2010. The rental income and profit contribution attributable to the properties transferred were both HK$413,000 for the year ended 31 December 2010.

Available-for-sale financial assets

Available-for-sale financial assets represent investment in unlisted equity securities of a financial institution in the PRC. The principal business of the financial institution includes deposit taking, provision of short to long term loan financing, provision of foreign exchange services and other financial services. Major shareholders of the financial institution include state owned enterprises and corporates. The available-for-sale financial assets are measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimate is so significant that the directors are of the opinion that the fair value cannot be measured reliably. The Group plans to hold these investments in the foreseeable future. Available-for-sale financial assets increased by 5.6% to approximately HK$7.5 million as at 31 December 2011 (representing approximately 0.9% of the equity interest of such financial institution) from approximately HK$7.1 million as at 31 December 2010, primarily due to exchange difference. Available-for-sale financial assets as at 30 June 2012 of approximately HK$7.6 million remained comparable to the balance as at 31 December 2011. The slight increase was primarily due to exchange difference.

Inventories of properties

Inventories of properties comprise properties under development and properties held for sale as at 31 December 2010 and 2011 and as at 30 June 2012 respectively.

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development	245,118	250,017	223,033
Properties held for sale	35,150	104,113	93,907
	280,268	354,130	316,940

Properties under development

Properties under development are properties in respect of which the Group has obtained the relevant land use right certificates as well as the Construction Works Commencement Permits. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties under development are classified as current assets unless the construction period of the relevant development project is expected to be completed beyond the normal operating cycle.

Changes in the Group's properties under development generally reflect the total GFA the Group has under construction at the given financial period end and are affected significantly by the project development schedules. Completed and undelivered properties are transferred from properties under development to properties held for sale. The Group had properties under development of approximately HK$245.1 million, approximately HK$250.0 million and approximately HK$223.0 million as at 31 December 2010 and 2011 and as at 30 June 2012 respectively.

The following tables illustrate the cost breakdown/ carrying values of the Group's properties under development during Track Record Period:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Phase 1 of Fond England	—	—	—
➢ Land cost	—	—	—
➢ Construction cost	—	—	—
➢ Interest capitalised	—	—	—
Phase 2 of Fond England	212,879	134,930	113,807
➢ Land cost	60,528	30,641	19,343
➢ Construction cost	142,643	95,556	87,933
➢ Interest capitalised	9,708	8,733	6,531
Phase 3 of Fond England	22,269	38,610	15,813
➢ Land cost	16,344	17,267	11,084
➢ Construction cost	5,740	20,815	4,256
➢ Interest capitalised	185	528	473
Li Yuan Project	9,970	76,477	93,413
➢ Land cost	3,008	66,843	66,160
➢ Construction cost	6,866	8,541	23,931
➢ Interest capitalised	96	1,093	3,322

During the year ended 31 December 2010, the Group has transferred the investment properties of HK$9.9 million to inventories of properties due to the development of the Li Yuan Project. The Li Yuan Project is expected to be a residential and commercial property project located in New & Hi-Tech Industrial Development Zone in Nanning. The site has been approved for a residential and commercial development by the Planning Administration Authority of Nanning New & Hi-Tech Industrial Development Zone in 2010.

The changes in properties under development during the Track Record Period were attributable primarily attributable to the commencement and completion of construction of relevant projects. The following table shows a breakdown of the Group's properties under development as of the dates indicated:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Cost of leasehold land	79,880	114,751	96,587
Construction costs and capitalised expenditure	155,249	124,912	116,120
Interests capitalised	9,989	10,354	10,326
	245,118	250,017	223,033

Properties held for sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable selling expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group had completed properties held for sale of approximately HK$35.2 million, HK$104.1 million and HK$93.9 million respectively. The Group obtained the land use right certificates in respect of all completed properties held by the Group for sale.

The following tables illustrate the cost breakdown/ carrying values of the Group's properties held for sale during Track Record Period:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Phase 1 of Fond England	35,150	26,099	24,383
➢ Land cost	6,185	4,330	3,995
➢ Construction cost	27,900	21,040	19,716
➢ Interest capitalised	1,065	729	672
Phase 2 of Fond England	—	78,014	53,683
➢ Land cost	—	10,255	10,177
➢ Construction cost	—	65,499	41,039
➢ Interest capitalised	—	2,260	2,467
Phase 3 of Fond England	—	—	15,841
➢ Land cost	—	—	3,039
➢ Construction cost	—	—	12,739
➢ Interest capitalised	—	—	63

The average unit cost for Phase 1, Phase 2 and Phase 3 of Fond England's properties held for sale as at 31 December 2010 and 2011 and 30 June 2012 are set out below:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$	*HK$*	*HK$*
Phase 1 of Fond England	4,203	4,767	4,779
Phase 2 of Fond England	—	6,236	4,377
Phase 3 of Fond England	—	—	7,458

Properties held for sale increased by 195.7% to approximately HK$104.1 million as at 31 December 2011 from approximately HK$35.2 million as of 31 December 2010, primarily due to the completion of construction of Phases 2 and 3 of Fond England in 2011. With respect of the Group's properties held for sale as at year ended 31 December 2010, properties bearing the book value of HK$10.8 million had been subsequently sold as of 31 December 2011. While for the Group's properties held for sale as of 31 December 2011, properties bearing the book value of HK$56.7 million had been subsequently sold as of 30 June 2012. As at the Latest Practicable Date the Group's properties held for sales as of 30 June 2012, properties bearing the book value of HK$21.4 million had been subsequently sold.

Trade receivables, Deposits, prepayments and other receivables

As at 31 December 2010 and 2011, the Group had trade receivables of approximately HK$0.4 million and HK$0.5 million respectively and deposits, prepayments and other receivables of approximately HK$54.5 million and HK$29.6 million respectively. As at 30 June 2012, the Group's trade receivables balance was amounted to HK$4.3 million and deposits, prepayments and other receivables balance was amounted to HK$29.0 million. The following table shows the breakdown of the Group's trade and other receivables as of the dates indicated:

		As at 31 December		As at 30 June
	Notes	**2010**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*
Trade receivables	(i)	366	534	4,299
Receivable from a third party	(ii)	4,178	—	—
Other receivables	(iii)	29,197	22,384	22,643
Prepayments and deposits	(iv)	21,145	7,168	6,366
		54,886	30,086	33,308

(i) Trade receivables mainly represents receivables in respect of provision of consulting services and rental and management fee payable by owners or tenants of the Group's investment properties or properties managed by the Group.

(ii) Receivable from a third party represented the amount due from Guiping Yu Feng, an associate of the Group that was disposed of by the Group on 30 December 2010. The amount was recorded as due from an associate as at 31 December 2009. Of the total amount due from Guiping Yu Feng as at 31 December 2010, approximately HK$4.2 million was subsequently fully settled in June 2011.

(iii) Other receivables in 2010 represented mainly cash deposits made with Independent Third Parties such as (a) The Bureau of Finance in Nanning (南寧市財政局) and (b) Nanning Special Maintenance Fund Management Centre* (南寧專項維修資金管理中心), (c) cash advance to a shareholder of Guiping Yu Feng of approximately HK$3.3 million (representing the consideration receivable by the Group from the shareholder as a result of the disposal by the Group (through Yu Feng Real Estate) of the equity interests held by it in Guiping Yu Feng to such shareholder) and (d) advance to a staff of Bai Yi Commercial for the start-up of his own food manufacturing business of approximately HK$5.9 million (equivalent to approximately RMB5.0 million). Other receivables decreased by 23.3% to approximately HK$22.4 million as at 31 December 2011 from approximately HK$29.2 million as at 31 December 2010, primarily due to the cash advance to the shareholder of Guiping Yu Feng was fully settled by 31 March 2011 and the fund advance to a staff was fully settled by 31 January 2011.

(a) Pursuant to the Official Reply issued by the Supreme Court on the Questions of How to Confirm the Validity of Acts of Lending between the Citizens and Enterprises (最高人民法院關於如何確認公民與企業之間借貸行為效力問題的批復), the lending between the citizens and non-financial enterprises is defined as private lending, which shall be deemed as valid as long as it conforms with the mutual parties' real intention. However, such private lending shall be ruled as invalid in any of following circumstances: (a) illegal fund raising by the enterprises from their employees in the name of lending; (b) illegal fund raising by the enterprises from the public in the name of lending; (c) granting loans by the enterprises to the public in the name of lending; (d) other behaviors in violation of laws or regulations. As the abovementioned advances did not fall within the aforesaid circumstances, the PRC Legal Advisor considers that such advances were not in violation of the applicable PRC laws and regulations.

(b) In accordance with the industry practice, property developers are required to make a cash deposit with The Bureau of Finance in Nanning as a warranty fund to ensure that all workers would be paid with no arrears of wages after the completion of the project development. The cash deposit will be refunded to the property developers once the project development is completed and there is no arrears of wages. As at 31 December 2010 and 2011 and as at 30 June 2012, the cash deposit with The Bureau of Finance in Nanning were approximately HK$2.7 million, HK$2.2 million and HK$2.1 million respectively. The cash deposit mainly represents the warranty fund for the property development of Phase 1 and Phase 2 of Fond England.

(c) The cash deposits made with Nanning Special Maintenance Fund Management Centre* (南寧專項維修資金管理中心) of approximately HK$4.4 million, HK$5.0 million and HK$3.9 million as at 31 December 2010 and 2011 and as at 30 June 2012 respectively represent deposits paid on behalf of potential customers of the Group for a special property maintenance fee. The cash deposits are expected to be settled by the potential customers after they have obtained the properties. According to the Regulation of Property Special Maintenance and Management in Nanning* (南寧市物業專項維修資金管理辦法), property developers are required to make deposits with the Nanning Special Maintenance Fund Management Centre in respect of development of residential properties before the registration of Pre-sales Permit.

(iv) Prepayment and deposits represented mainly prepayment for property projects and rental deposits. The decrease in prepayment and deposit from approximately HK$21.1 million as at 31 December 2010 to approximately HK$7.2 million as at 31 December 2011 was mainly due to the completion of construction of Phase I and part of Phase II of Fond England development project.

Trade payables

Trade payables mainly represented construction fees payable to the Group's construction contractors. The Groups will settle its payments within 180 days after receiving goods and services. The Group would typically agree with construction contractors to settle up to 80.0% of the total construction costs by the time the construction of the project is completed and up to 85.0%-90.0% by the time the Group finally agrees with the contractor on the amount of the aggregate construction costs. The contractual arrangements would also typically provide for the Group's withholding of a warranty fee or retention money of up to 5.0% of the aggregate construction costs to provide for additional quality assurance, subject to settlement within one to two months after the expiry of the warranty period. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's trade payables were approximately HK$21.6 million, HK$10.4 million and HK$5.8 million respectively. Out of the Group's trade payables as of 30 June 2012, a total of HK$2.5 million had been subsequently settled as of the Latest Practicable Date.

The following table shows the aging analysis of the Group's trade payables as of the dates indicated:

	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
0-30 days	—	3,380	344
31-90 days	—	3,039	1,054
91-180 days	—	434	19
Over 180 days	21,591	3,502	4,344
	21,591	10,355	5,761

Consistent with the industry practice, the construction period of the Group's projects was typically longer than a year and the Group's trade payables were recorded on an accrual basis according to the percentage of work completed for individual contracts. As such, as at 31 December 2010 and 2011 and as at 30 June 2012, trade payables amounted to HK$21.6 million, HK$3.5 million and HK$4.3 million have been outstanding for more than 180 days respectively. The trade payables over 180 days outstanding mainly represent final settlement of construction cost of completed properties of Fond England.

Accruals, deposits received and other payables

As at 31 December 2010, 2011 and as at 30 June 2012, the Group had accruals, deposits received and other payables of approximately HK$52.7 million, HK$63.4 million and HK$72.1 million respectively. The following table shows the breakdown of the Group's accruals, deposits received and other payables as of the dates indicated:

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Accruals and other payables	20,674	20,118	28,425
Deposits received	22,563	27,693	27,697
Receipts in advance	9,489	15,576	15,957
	52,726	63,387	72,079

As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's accruals and other payables were approximately HK$20.7 million, HK$20.1 million and HK$28.4 million respectively. Accruals and other payables consisted of accrued salaries and wages, employee welfare provision, and deposits refundable to purchasers and sundry taxes payable. The deposits refundable to purchasers represented the amounts which are refundable to the purchasers of Fond England due to the purchase contracts not finally entered with the purchasers. The deposits refundable to purchasers were approximately HK$3.5 million, HK$1.7 million and HK$1.0 million as at 31 December 2010 and 2011 and as at 30 June 2012 respectively.

Deposits received consist of rental deposits from tenants. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's deposits received were approximately HK$22.6 million, HK$27.7 million and HK$27.7 million respectively. This increase of approximately HK$5.1 million during 2011 was primarily due to the increase in occupancy rate in 2011. Deposits received from tenants as at 30 June 2012 remained at comparable level to the balance as at 31 December 2011.

Receipts in advance represent advances received of rental income and property management fees. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's receipts in advance were approximately HK$9.5 million, HK$15.6 million and HK$16.0 million respectively. This increase of approximately HK$6.1 million during 2011 was primarily due to the increase in advances received of rental income from properties leased out. Receipts in advance as at 30 June 2012 remained comparable to the balance as at 31 December 2011.

Advances received from pre-sales of properties under development and properties held for sale

The Group recorded proceeds from pre-sales of its properties as advances received from pre-sales of properties under development and properties held for sale an item that is reflected as a current liability in the Group's consolidated statements of financial position. The Group does not recognise these proceeds from pre-sales as revenue until the completion of the construction and the delivery of the relevant properties to the buyers. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's advances received from the pre-sales of properties under development and properties held for sale were approximately HK$276.6 million, HK$277.5 million and HK$256.9 million respectively. Out of the Group's advances received from the pre-sales of properties under development and properties held for sale as of 30 June 2012, a total of approximately HK$148.5 million had been subsequently sold and delivered up to the Latest Practicable Date.

Set out below are pre-sold information of Fond England's residential units by quarter up from January 2010 to the Latest Practicable Date:

	GFA pre-sold in respect of contracts entered during the quarter	**Average selling price in respect of contracts entered during the quarter**	**Pre-sale proceeds received during the quarter**
	sq.m.	*HK$*	*HK$'000*
2010			
1st quarter	4,350.65	9,097.59	16,149.19
2nd quarter	5,878.64	9,756.84	154,983.89
3rd quarter	1,212.99	10,846.13	14,138.71
4th quarter	10,139.75	10,699.95	70,148.06
2011			
1st quarter	3,950.91	10,455.26	61,877.55
2nd quarter	103.64	11,949.29	17,094.31
3rd quarter	9,540.63	10,739.74	78,622.98
4th quarter	7,481.70	11,443.23	72,031.67
2012			
1st quarter	4,720.29	12,074.37	51,079.46
2nd quarter	4,836.38	11,473.35	59,760.36
3rd quarter	3,606.93	13,298.12	58,520.18

The Directors considered that the decrease in sales volume in the 2nd quarter 2011 was attributed mainly to the austerity measures implemented by the PRC and Nanning Government. As illustrated above, sales volume subsequently recovered in the second half of 2011. In the first half of 2012 sales increased by 135.7% to 9,557 sq.m. as compared to the corresponding period in 2011. The Group obtained the last 5 pre-sale permits for the remaining residential units of Fond England in the 2nd half of 2011, namely, Blocks 10, 15, 16, 17 and 18 with a total GFA of 21,874 sq.m. The commencement of pre-sale of such remaining residential units of Fond England resulted in the increase in residential units pre-sold in the second half of 2011 and since there were no newly available for pre-sale's residential units launched in the first half of 2012, the pre-sale volume slowed down in the first half of 2012.

Amounts due from/to related parties / shareholders / directors

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
Amount due from:	*HK$'000*	*HK$'000*	*HK$'000*
Shareholders	38	38	38
Other related parties	6,191	35	—

As at 31 December 2010 and 2011, the amounts due from related parties included outstanding rental receivables from Pharma Frontiers, a related company of the Group, amounting to HK$140,000 and HK$35,000 respectively. The principal activity of Pharma Frontiers is medical communications. All amounts due from other related parties are of a non-trade nature.

As at the 30 June 2012, amounts due from related parties were fully settled. As part of the Group's preparation for the Listing in Hong Kong, amounts due from shareholders were fully settled as at the Latest Practicable Date.

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
Amount due to:	*HK$'000*	*HK$'000*	*HK$'000*
Mrs. Lee	8,081	8,563	8,471
Dr. Lee	1	1	—
Other related party	2,362	—	—
	10,444	8,564	8,471

Amounts due to a related party and directors decreased from approximately HK$10.4 million as at 31 December 2010 to approximately HK$8.6 million as at 31 December 2011, primarily due to a repayment of approximately HK$2.4 million to a related party. Amounts due to directors as at 30 June 2012 was amounted to HK$8.5 million. Amount due to a related party was fully settled in 2011 and the amounts due to directors will be fully settled prior to the Listing.

Interest-bearing borrowings

	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings	162,181	112,922	57,604
Entrusted loans	—	40,722	40,306
	162,181	153,644	97,910

As at 31 December 2010 and 2011 and as at 30 June 2012, the Group's bank and other borrowings are repayable as follows:

	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Within one year or on demand	25,533	105,492	52,934
In the second year	90,748	5,294	5,618
In the third to fifth year	16,756	18,866	19,738
After the fifth year	29,144	23,992	19,620
	136,648	48,152	44,976
	162,181	153,644	97,910

Summary of the Group's bank borrowings and entrusted loans during the Track Record Period:

	As at 31 December 2010		As at 31 December 2011		As at 30 June 2012		
	Outstanding balance	**Effective interest rate***	**Outstanding balance**	**Effective interest rate***	**Outstanding balance**	**Effective interest rate***	**Maturity date**
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	
Fixed rate bank borrowings	5,918	(120% of Fixed PBOC rate as at borrowing agreement date) 6.37%	—	—	—	—	September 2011
Variable rate bank borrowings	14,718	(105% of PBOC rate) 6.72%	3,279	(105% of PBOC rate) 7.40%	—	—	September 2012
	55,189	(115% of PBOC rate) 7.36%	53,001	(120% of PBOC rate) 8.46%	50,104	(120% of PBOC rate) 8.16%	October 2019
	45,525	(PBOC rate) 9.50%	36,795	(PBOC rate) 10.59%	—	—	February 2012
	11,837	(PBOC rate) 5.85%	12,340	(PBOC rate) 6.65%	—	—	February 2012
	21,307	(PBOC rate) 5.85%	—	—	—	—	February 2012
	4,143	(120% of PBOC rate) 7.02%	4,319	(120% of PBOC rate) 7.98%	—	—	March 2012
	3,544	(Prime rate -1.5%) 3.50%	3,188	(Prime rate -1.5%) 3.50%	—	—	August 2019
	—	—	—	—	7,500	(Prime rate -1.75%) 3.50%	June 2020
		—		—			
	156,263		112,922		57,604		
Total bank borrowings	162,181		112,922		57,604		
Fixed rate entrusted loans							
Company A through commercial bank A	—	—	9,872	(140% of Fixed PBOC rate as at borrowing agreement date) 9.30%	9,771	(140% of Fixed PBOC rate as at borrowing agreement date) 9.30%	December 2012
Company B through commercial bank A	—	—	30,850	(140% of Fixed PBOC rate as at borrowing agreement date) 9.30%	30,535	(140% of Fixed PBOC rate as at borrowing agreement date) 9.30%	July 2013
		—					
Total entrusted loans	—		40,722		40,306		

* The difference in interest rate of the borrowings was primarily due to the terms negotiated between different banks/companies and the Group, duration of the borrowings and the assets pledged for the borrowings by the Group.

Interest bearing borrowings decreased to approximately HK$153.6 million as at 31 December 2011 from approximately HK$162.2 million as at 31 December 2010. For the year ended 31 December 2010, the effective interest rates of the Group's bank and other borrowings ranged from 3.5% to 9.5%. The effective interest rate of the Group's Hong Kong bank borrowing was 3.5% which was prime rate minus 1.5%. The effective interest rates of the Group's PRC bank and other borrowing ranged from 5.85% to 9.5%. The variable rate bank borrowings carried interest ranged from PBOC rate to 120.0% of PBOC rate per annum as at 31 December 2010. For the year ended 31 December 2011, the effective interest rates of the Group's bank and other borrowings ranged from 3.5% to 10.6%. The effective interest rates of the Group's PRC bank and other borrowing ranged from 6.65% to 10.6%. The variable rate bank borrowings carried interest ranged from PBOC rate to 120.0% of PBOC rate per annum as at 31 December 2011. Saved for the borrowings which carries PBOC rate, the interest rates of the Group's borrowings are not comparable with the PBOC rate. As most of the Group's bank borrowings are in Renminbi, the interest rates on the Group's bank borrowings are impacted by the benchmark interest rate set by the PBOC, which has fluctuated significantly in recent years. Moreover, the Group's bank borrowings with longer repayment terms resulted in a higher benchmark lending rate, therefore, there was a wide range of effective interest rates for the years ended 31 December 2010 and 2011. Bank borrowings are secured by legal charges over certain of the Group's property, plant and equipment, interests in leasehold land, investment properties, properties under development and held for sale and certain bank account balances. Bank borrowings are also secured by the guarantees provided by some of the directors of the Company which were released before 30 June 2011.

For the year ended 31 December 2011, the Group entered into two entrusted loan agreements amounted to RMB8.0 million (or equivalent to approximately HK$9.9 million) and RMB25.0 million (or equivalent to approximately HK$30.9 million) respectively to finance the preliminary development cost of Li Yuan Project with independent third parties (which are both enterprises established in the PRC) via bank arrangement. Entrusted loan amounted to RMB8.0 million (or equivalent to approximately HK$9.9 million) was secured by investment properties of the Group in favour of an individual chargee (who is an independent third party) designated by the lender of the entrusted loan under and pursuant to the terms of the relevant entrusted loan agreement. Interest rates and other terms of the entrusted loans were determined after arms' length negotiation and were mutually agreed between the Group and the respective lenders.

Except for the financing arrangement as disclosed above, the lenders of the two entrusted loans and the chargee to which investment properties of the Group are charged as security for one of the entrusted loans do not have any other past or present relationships with the Company and its subsidiaries or their respective shareholders, directors and senior management or any of their respective associates. Both entrusted loans bear interest rates of 9.3% per annum with terms of one year. Given that the lenders of two entrusted loans are enterprises instead of commercial banks, the PRC Legal Advisor is of the opinion that the entrusted loan arrangement undertaken by the Company does not violate the guidelines issued by the CBRC and other applicable laws and regulations. During the first half of 2012, the Group has renewed an entrusted loan with interest rate of 9.3%. The Group has also made repayment of interest-bearing borrowing of approximately HK$62.2 million. As at 30 June 2012, the Group's outstanding interest-bearing borrowing was amounted to HK$97.9 million with effective interest rate ranged from 3.5% to 9.3%. Saved as the above-mentioned, the Group had not entered into any other financing agreements, undrawn banking facilities or provided any other security or guarantee(s) to third parties as at the Latest Practicable Date. The decrease of approximately HK$8.5 million was due primarily to the partial repayment of bank borrowings in 2011.

During the Track Record Period, the terms of bank borrowings and entrusted loans advanced to the Group did not consist of cross-default and other unconventional clauses.

During the Track Record Period and up to the Latest Practicable Date, the Directors confirm that the Group has not encountered any difficulty in obtaining external borrowings, recall or request for early repayment of borrowings, delay or default in repayment or other covenants under its borrowings. In addition, the Group did not had any material default in payment of trade and non-trade payables.

LISTING EXPENSES

It is estimated that the total estimated costs for the Listing will be approximately HK$26.1 million. The Group recognised the listing expenses of HK$16.2 million during the Track Record Period and will further recognise the listing expenses of HK$9.9 million after the Track Record Period. The listing expenses of HK$12.8 million (including HK$6.7 million which were recognised as expenses for the six months ended 30 June 2012), will be recognised as expenses for the year ending 31 December 2012. It is noted that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and then changes in variables and assumptions.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group operates in a capital-intensive industry and has historically financed, and expects to continue to finance, its working capital, capital expenditure and other capital requirements through proceeds from the pre-sale and sales of properties in Fond England, income generated from leasing the investment properties and provision of property management and consultancy services, borrowings from commercial banks and related parties, capital contributions from shareholders and new share issuances. The short-term liquidity requirements relate to servicing short-term debts and funding working capital requirements. The sources of short-term liquidity include cash balances, proceeds from pre-sales and sales of properties and new bank loans. The long-term liquidity requirements relate to funding of the development of new property projects and repayment of long-term debt, and the sources of long-term liquidity include bank loans, capital contributions from shareholders and share issuances.

The following table summarises the Group's consolidated statement of cash flows during the Track Record Period:

	For the year ended 31 December		For the six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash generated from/(used in) operating activities	70,813	17,441	3,507	(1,946)
Net cash generated from/(used in) investing activities	35,835	(10,157)	10,858	2,273
Net cash used in financing activities	(44,032)	(33,391)	(30,490)	(61,343)
Net increase/(decrease) in cash and cash equivalents	62,616	(26,107)	(16,125)	(61,016)
Cash and cash equivalents at 1 January	81,705	150,577	150,577	130,218
Effect of foreign exchange rates changes on cash and cash equivalents	6,256	5,748	2,425	(815)
Cash and cash equivalents at 31 December/30 June	150,577	130,218	136,877	68,387

Net cash generated from operating activities

The Group's cash inflows from operating activities primarily resulted from cash receipts from rental income and pre-sales and sales of properties while cash outflows from operating activities resulted from the costs for the development of properties, other operating expenses, and taxes paid.

The Group generated net cash from operating activities of approximately HK$17.4 million for the year ended 31 December 2011, compared to net cash generated from operating activities of approximately HK$70.8 million for the year ended 31 December 2010 primarily due to the increase in construction costs paid for Phase 2 and Phase 3 of Fond England in 2011, amounting to approximately HK$52.2 million.

The Group's net cash used in operating activities was amounted to approximately HK$1.9 million for the six months ended 30 June 2012, compared to net cash generated from operating activities of approximately HK$3.5 million for the six months ended 30 June 2011, primarily due to the increase in corporate and land appreciation tax paid offset by the increase in properties sold and deliver during the first half of 2012.

Net cash generated from/(used in) investing activities

The Group's cash outflows from investing activities were applied to the additions of property, plant and equipment and investment properties. The Group's cash inflows from investing activities were derived from the disposals of property, plant and equipment and fund repayments from related parties.

The Group recorded a net cash inflow from investing activities amounted to approximately HK$35.8 million for the year ended 31 December 2010, which was mainly attributable to the decrease in amounts due from related parties of approximately HK$77.3 million and partially offset by the purchase of investment properties of approximately HK$42.3 million.

The Group recorded a net cash used in from investing activities of approximately HK$10.2 million for the year ended 31 December 2011, which was mainly attributable to the decrease in amounts due from related parties of approximately HK$6.3 million, proceeds from disposal of property, plant and equipment and offset by the purchase of investment properties of approximately HK$25.0 million.

The Group recorded a net cash generated from investing activities of approximately HK$2.3 million for the six months ended 30 June 2012, which was mainly attributable to the decrease in restricted bank deposit and increase in dividend received from available-for-sale financial assets.

Net cash used in financing activities

The Group's cash inflows used in financing activities were mainly generated from proceeds from new borrowings, net of the repayments of loans, the repayments of loans from directors and payments to related parties and the payments of interest and other borrowing costs.

The Group's net cash used in financing activities was approximately HK$44.0 million for the year ended 31 December 2010, consisted primarily of proceeds from the new borrowings of approximately HK$45.0 million which offset in part by the repayments of borrowings of approximately HK$16.0 million, the decrease in amounts due to a related party and directors of approximately HK$62.0 million and the payment of interest of approximately HK$11.1 million.

The Group's net cash used in financing activities was approximately HK$33.4 million for the year ended 31 December 2011, consisted primarily of proceeds from the new entrusted loans of approximately HK$39.8 million which was offset in part by the repayment of loans of approximately HK$56.4 million and the payment of interest of approximately HK$12.1 million.

The Group's net cash used in financing activities was approximately HK$61.3 million for the six months ended 30 June 2012, consisted primarily of repayment of loans of approximately HK$62.2 million and the payment of interest of approximately HK$4.7 million, offset by the proceeds from new borrowings of approximately HK$7.5 million.

Cash and cash equivalents

As a result of net cash generated from/used in operating activities, investing activities and financing activities as disclosed above, the Group recorded cash and cash equivalents of approximately HK$150.6 million, HK$130.2 million and HK$68.4 million as at 31 December 2010 and 2011 and 30 June 2012 respectively.

NET CURRENT ASSETS

The table below sets out the Group's current assets, current liabilities and net current assets as at 31 December 2010 and 31 December 2011, as at 30 June 2012 and as at 30 September 2012:

	2010	2011	As at 30 June 2012	As at 30 September 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Current assets				
Inventories of properties	280,268	354,130	316,940	284,632
Trade receivables	366	534	4,299	2,510
Deposits, prepayments and other receivables	54,520	29,552	29,009	24,601
Amount due from related parties	6,191	35	—	—
Amount due from shareholders	38	38	38	—
Amounts due from a director	41	—	—	—
Tax prepaid	—	—	617	—
Cash and cash equivalents	160,796	138,613	75,243	84,396
Total current assets	502,220	522,902	426,146	396,139
Current liabilities				
Trade payables	21,591	10,355	5,761	19,713
Dividend payable	6,164	4,223	2,455	2,481
Accruals, deposits received and other payables	52,726	63,387	72,079	82,241
Advances received from the pre-sale of properties under development and properties held for sale	276,616	277,496	256,917	180,023
Amounts due to a related party	2,362	—	—	—
Amount due to directors	8,082	8,564	8,471	8,469
Interest-bearing borrowings	25,533	105,492	52,934	53,327
Taxation liabilities	28,313	41,342	7,673	7,629
Total current liabilities	421,387	510,859	406,290	353,883
Net current assets	80,833	12,043	19,856	42,256

As at 31 December 2011, the Group had net current assets of approximately HK$12.0 million, consisting of approximately HK$522.9 million of current assets and HK$510.9 million of current liabilities, which represented a decrease of approximately HK$68.8 million from the Group's net current assets of approximately HK$80.8 million as at 31 December 2010. This decrease was driven principally by the increase in current interest-bearing borrowings by approximately HK$80.0 million, the increase in provision for income tax by approximately HK$13.0 million, the increase in accruals, deposits received and other payables by approximately HK$10.7 million, the decrease in deposits, prepayments and other receivables by approximately HK$25.0 million and the decrease in cash and cash equivalents by approximately HK$22.2 million, offset partially by the increase in inventories of properties by approximately HK$73.9 million and decrease of trade payables by approximately HK$11.2 million.

As at 30 June 2012, the Group had net current assets of approximately HK$19.9 million, consisting of approximately HK$426.1 million of current assets and HK$406.3 million of current liabilities, which represented an increase of approximately HK$7.8 million from the Group's net current assets of approximately HK$12.0 million as at 31 December 2011. This increase was driven principally by the decrease in current assets outweighed the decrease in current liabilities.

As at 30 September 2012, the Group had net current assets of approximately HK$42.3 million, consisting of approximately HK$396.1 million of current assets and HK$353.9 million of current liabilities, which represented an increase of approximately HK$22.3 million from the Group's net current assets of approximately HK$19.9 million as at 30 June 2012. This increase was driven principally by the decrease in advances received from the pre-sale of properties under development and properties held for sale of approximately HK$76.9 million, offset partially by the decrease in inventories of properties of approximately HK$32.3 million and the increase of trade payables by approximately HK$14.0 million.

The inventories of properties increased to approximately HK$354.1 million as at 31 December 2011 from approximately HK$280.3 million as at 31 December 2010, was primarily due to the additional capitalised construction cost of part of Phases 2 and 3 of Fond England which outweighed the recognition of sales of completed properties during the year ended 31 December 2011. The deposits, prepayments and other receivables decreased to approximately HK$29.6 million as at 31 December 2011 from approximately HK$54.5 million as at 31 December 2010, was primarily due to the settlement received from Guiping Yu Feng of HK$4.2 million, shareholder of Guiping Yu Feng of approximately HK$3.3 million and cash advance to staff of HK$5.9 million and transfer of prepaid construction cost to inventories of properties of approximately HK$13.3 million. The cash and cash equivalents decreased to approximately HK$138.6 million as at 31 December 2011 from approximately HK$160.8 million as at 31 December 2010, was primarily due to the net cash outflow used in investment activities of approximately HK$10.2 million, net cash outflow used in financing activities of approximately HK$33.4 million and decrease in pledged bank deposit and restricted deposits of HK$1.9 million, offset by net cash inflow generated from operating activities of approximately HK$17.4 million and exchange realignment of HK$5.7 million.

The inventories of properties decreased to approximately HK$316.9 million as at 30 June 2012 from approximately HK$354.1 million as at 31 December 2011, this was primarily due to recognition of sales of completed properties during the six months ended 30 June 2012 outweighed the additional capitalised construction cost of part of Phases 2 and 3 of Fond England. The deposits, prepayments and other receivables as at 30 June 2012 of HK$29.0 million remained at comparable levels to the balance as at 31 December 2011. The cash and cash equivalents decreased to approximately HK$75.2 million as at 30 June 2012 from approximately HK$138.6 million as at 31 December 2011, was primarily due to the net cash outflow used in operating activities of approximately HK$1.9 million, net cash outflow used in financing activities of approximately HK$61.3 million.

The inventories of properties decreased to approximately HK$284.6 million as at 30 September 2012 from approximately HK$316.9 million as at 30 June 2012, this is primarily due to recognition of sales of completed properties of Phases 2 and 3 of Fond England during the three months ended 30 September 2012 outweighted the additional capitalised construction cost of part of Phases 2 and 3 of Fond England.

The trade payables decreased to approximately HK$10.4 million as at 31 December 2011 from approximately HK$21.6 million as at 31 December 2010, was primarily due to the settlement of construction cost of the completed properties of Fond England. The accruals, deposits received and other payables increased to approximately HK$63.4 million as at 31 December 2011 from approximately HK$52.7 million as at 31 December 2010, was primarily due to increase of rental deposits from tenants of approximately HK$5.1 million and increase in advance received of rental income and building management income of approximately HK$6.1 million. The current interest-bearing borrowings increased to approximately HK$105.5 million as at 31 December 2011 from approximately HK$25.5 million as at 31 December 2010. The Group has entered into two new entrusted loans agreements during the year ended 31 December 2011 and certain long-term interest-bearing borrowings had been reclassified as current interest-bearing borrowings in accordance with their repayment terms as at 31 December 2011. The taxation liabilities increased to approximately HK$41.3 million as at 31 December 2011 from approximately HK$28.3 million as at 31 December 2010, was primarily due to the increase in PRC corporate income tax and PRC LAT resulting from mainly the properties sold and delivered during the year ended 31 December 2011.

The trade payables decreased to approximately HK$5.8 million as at 30 June 2012 from approximately HK$10.4 million as at 31 December 2011, was primarily due to the settlement of construction cost of the completed properties of Fond England. The accruals, deposits received and other payables increased to approximately HK$72.1 million as at 30 June 2012 from approximately HK$63.4 million as at 31 December 2011, was primarily due to increase of accruals and other payables of approximately HK$8.7 million. The current interest-bearing borrowings decreased to approximately HK$52.9 million as at 30 June 2012 from approximately HK$105.5 million as at 31 December 2011. The decrease was contributed by the repayment of interest-bearing borrowing in the first half of 2012. The taxation liabilities decreased to approximately HK$7.7 million as at 30 June 2012 from approximately HK$41.3 million as at 31 December 2011, was primarily due to the payment of PRC corporate income tax and PRC LAT.

The trade payables increased to approximately HK$19.7 million as at 30 September 2012 from approximately HK$5.8 million as at 30 June 2012, was primarily due to progress billing of contractors on the completion of Phase 3 of Fond England in September 2012. Advances received from the pre-sale of properties under development and properties held for sale decreased from HK$256.9 million as at 30 June 2012 to HK$180.0 million as at 30 September 2012, due to the recognition of sales of completed properties of Phases 2 and 3 of Fond England.

Gearing ratio

The Group monitors its gearing capacity on the basis of gearing ratio, which is calculated as total debt divided by total equity, as shown in the Group's consolidated statements of financial position. The following table sets out the Group's gearing ratios as of the dates indicated:

	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a related party	2,362	—	—
Amounts due to directors	8,082	8,564	8,471
Interest-bearing borrowings	162,181	153,644	97,910
Total debt	172,625	162,208	106,381
Total equity	434,924	536,068	577,144
Gearing ratio	39.7%	30.3%	18.4%

The Group's gearing ratio decreased from approximately 39.7% in 2010 to approximately 30.3% in 2011, such decrease was mainly due to the combined effect of decrease in outstanding debt and the increase in equity attributable to increase in profit for the year in 2011. For the six months ended 30 June 2012, the Group's gearing ratio further decreased to 18.4%, such decrease was mainly contributed by the decrease in borrowing as a result of the repayment of bank borrowing during the first half of 2012.

As of 30 September 2012, being the latest practicable date for determining the Group's indebtedness, the debt-equity ratio of the Group is 17.4%.

Current ratio

Current ratio is calculated as current assets divided by current liabilities. As at 31 December 2010 and 2011 and as at 30 June 2012, the Group maintained the current ratios of 1.2, 1.0 and 1.0 respectively. The decrease in the current ratio in 2011 was primarily due to the increase in current liabilities from approximately HK$421.4 million to HK$510.9 million, as a result of the increase in current interest-bearing borrowings of approximately HK$80.0 million. Current ratio as at 30 June 2012 remained at comparable levels as compared to the current ratio as at 31 December 2011.

Quick ratio

Quick ratio is calculated as taking current assets less inventories of properties and dividing by the Group's current liabilities. As at 31 December 2010, 2011 and as at 30 June 2012, the Group maintained the quick ratios of 0.53, 0.33 and 0.27 respectively. The decrease in the quick ratio in 2011 was due primarily to the increase in inventories of properties outweighs the increase in current assets. The decrease in the quick ratio as at 30 June 2012 as compared to the quick ratio as at 31 December 2011 was due primarily to the decrease in current assets outweighing the decrease in inventories of properties.

WORKING CAPITAL

Taking into account the internally generated funds of approximately HK$84.4 million as at 30 September 2012 available to the Group and the net proceeds from the issue of Shares under the Placing of approximately HK$33.2 million, the Directors are of the opinion that the Group will have sufficient funds to meet the working capital and financial requirements for at least next 12 months commencing from the date of this prospectus.

INDEBTEDNESS

Borrowings

The following table shows the Group's total bank and other borrowings as at 30 September 2012 (being the latest practicable date for determining the Group's indebtedness):

	As at 30 September 2012 *HK$'000*
Repayable within one year:	
Bank loans, secured	12,605
Other loans, secured	9,872
Other loans, unsecured	30,850
	53,327
Repayable within two to five years:	
Bank loans, secured	26,122
Repayable after Five years:	
Bank loans, secured	17,941
	97,390

The Group used the proceeds from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by property, plant and equipment, investment properties, bank deposits and assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties.

All of the Group's bank and other borrowings are denominated in Renminbi and Hong Kong dollar and the effective interest rates were ranging from 3.5% to 9.3% as at 30 September 2012.

Amounts due to Directors:

	As at 30 September 2012
	HK$'000
Directors:	
Mrs. Lee	8,432

The amounts due are unsecured, interest-free and repayable on demand.

Financial guarantee contracts

The Group had the following financial guarantees as at 30 September 2012 stated at their face value.

	As at 30 September 2012
	HK$'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	211,169

The Group has arranged bank financing for certain purchasers of the Group's development properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificates which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of the mortgaged loans by the purchasers of properties.

Pursuant to the terms of the guarantees, in the event of default in mortgage payments by these purchasers, if any, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, but the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period would start from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of the financial guarantees is not significant.

Off-balance sheet commitments and arrangements

As at 30 September 2012, except for the contingent liabilities set forth above, the Group has not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. The Group does not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. The Group has not entered into any derivative contracts that are indexed to its Shares and classified as shareholder's equity, or that are not reflected in its consolidated financial statements. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development services with it.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at the close of business on 30 September 2012.

Disclaimers

Save as disclosed in the sub-section headed "Indebtedness" in this section, as of 30 September 2012, being the latest practicable date for determining the Group's indebtedness, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities. The Directors confirm that there has not been any material changes in the indebtedness since the indebtedness date and up to the Latest Practicable Date.

CONTRACTED OBLIGATIONS

The Group had contracted but not provided for commitments for the construction of properties under development and investment properties as at 30 September 2012 (being the latest practicable date for determining the Group's indebtedness).

	As at 30 September 2012
	HK$'000
Contracted but not provided for:	
- Properties under development	151,388

MARKET RISKS

The Group is exposed to various types of market risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk, commodity risk and inflation in the normal course of its business.

Foreign currency risk

The Group conducts its business principally in Renminbi. As at 30 June 2012, all or substantially all of the Group's assets and liabilities were denominated in Renminbi. In the opinion of the Directors, the Group does not have significant foreign currency risk exposure as the group entities hold majority of their assets and liabilities in their own functional currency. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate risk. It is the Group's policy to maintain an appropriate level between its borrowings so as to balance the fair value and cash flow interest rate risk.

To the extent that the Group may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of the Group's debt obligations.

The Group currently does not use any derivative instruments to manage the Group's interest rate risk. To the extent the Group decides to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates. For additional information, please refer to the paragraph headed "The Group's profitability and results of operations are affected by changes in interest rates" under sub-section headed "Risks relating to the Group" in the section headed "Risk factors" of this prospectus.

Credit risk

The Group's principal financial assets are trade and other receivables, amounts due from related parties and bank balances, which represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. In order to minimise credit risk, the management continuously monitors the level of the Group's exposure to ensure that the follow-up action is taken to recover overdue debts and to avoid significant concentrations of credit risk. In addition, the Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. The credit risk on bank deposits and bank balances is limited because a majority of the counterparties are state-owned banks with good reputations and credit ratings.

Liquidity risk

The capital-intensive nature of the Group's businesses exposes it to liquidity risk. The Group is exposed to liquidity risk if the Group is unable to raise sufficient funds to meet its financial commitments when they fall due. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by its management to finance its operations and mitigate the effects of fluctuations in cash flow. The Group's management also monitors its net current assets/liabilities and the utilisation of borrowings to ensure adequate undrawn banking facilities and compliance with loan covenants.

Commodity risk

The Group is exposed to fluctuations in the prices of raw materials for its property development, primarily steel and cement. The Group has not engaged in any hedging activities. Purchasing costs of steel and cement are generally accounted for as part of the construction contract or fees pursuant to the Group's arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect the Group's construction costs in the form of increased fee quotes by the Group's construction contractors. As a result, fluctuations in the prices of the Group's construction materials have a significant impact on the Group's business, financial condition and results of operations.

Inflation

According to the National Bureau of Statistics of China, the PRC's overall national inflation rate, as measured by the general consumer price index, was approximately 3.3% in 2010 and 5.4% in 2011. In the first half of 2012, PRC's general consumer price index increased by 3.3% compared to the same period in 2011. Inflation is a factor that would affect construction costs and interest rates, and deflation would become a disincentive for prospective buyers to make a purchase.

DIVIDEND POLICY

The Group may distribute dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare and pay any dividend would require the approval of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. The Directors will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

➢ the Group's result of operations;

➢ the Group's cash flows;

➢ the Group's financial condition;

➢ the Group's shareholders' interests

➢ the Group's general business conditions and strategies;

➢ the Group's capital requirements;

➢ the payment by the Group's subsidiaries of cash dividends to the Company; and

➢ other factors the Board may deem relevant.

The Company is a holding company incorporated in the Cayman Islands. The Group's ability to pay dividends depends substantially on the payment of dividends to the Company by the Group's subsidiaries in the PRC. In particular, the Group's PRC subsidiaries may pay dividends only out of their accumulated distributable profit, if any, determined in accordance with their Articles, and the accounting standards and regulations in the PRC. Moreover, pursuant to relevant PRC laws and regulations applicable to the Group's subsidiaries in the PRC, the Group's PRC subsidiaries are required to set aside a certain amount of their accumulated after-tax profit each year, if any, to fund statutory reserves. These reserves are not distributable. Furthermore, if any of the Group's subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to the Group.

On 31 December 2010, Bai Yi Commercial declared HK$2,693,000 of dividend to non-controlling shareholders. Leepark Holdings declared HK$30,000,000 of dividend to Dr. Lee and Global Touch declared HK$1,508,000 of dividend to First Beijing, Ease Gain and Chosen Leader. On 31 December 2011, Bai Yi Commercial declared HK$604,000 of dividend to non-controlling shareholders. On 30 April 2012 Bai Yi Commercial declared HK$123,000 of dividend to non-controlling shareholders.

As at 31 December 2010 and 2011 and as at 30 June 2012, the dividends payable were HK$6.2 million, HK$4.2 million and HK$2.5 million respectively. The dividend payable will be fully settled before the end of 2012 out of the Group's distributable profits permitted under the relevant laws.

The past dividend payment history is not, and should not be taken, as an indication of the Group's potential future practice with respect to dividend payments. The amount of dividends to be distributed to the Group's Shareholders will depend upon its earnings and financial condition, operating requirements, capital requirements, the payment by the Group's subsidiaries of cash dividends to the Company and any other conditions that the Group's Directors may deem relevant and will be subject to the approval of its Shareholders. There can be no assurance that dividends of any amount will be declared or distributed in any year.

The Group has approximately HK$272.6 million (net of accumulated fair value gains of investment properties of HK$149.3 million) of retained earnings as at 30 June 2012.

DISTRIBUTABLE RESERVES

There was no reserve of the Company available for distribution to the Shareholders as at 30 June 2012. Since incorporation of the Company on 18 February 2011, it has not carried out any business save for the transactions related to the Reorganisation.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ, an independent property valuer, has valued the properties interests of the Group as at 30 September 2012. These properties include properties under development for sale, completed properties for sale and investment properties. Texts of its letter, summary of valuations and valuation certificate issued by DTZ are set out in Appendix III to this prospectus.

The following table illustrates the sensitivity of the Group's net assets as at 31 December 2011 and as at 30 June 2012 and net profit for the year ended 31 December 2011 and for the six months ended 30 June 2012, to the potential downward adjustments in key assumption on the valuation of the Group's investment properties (net of deferred tax effect) as at 31 December 2011 and as at 30 June 2012.

	As at 31 December 2011		As at 30 June 2012	
Decrease in rental income	**5%**	**10%**	**5%**	**10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on the net assets	(26,845)	(49,304)	(29,389)	(53,307)
Impact on the net profits (net of deferred tax effect)	(26,845)	(49,304)	(29,389)	(53,307)
Increase in yield rate	**5%**	**10%**	**5%**	**10%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Impact on the net assets as at 31 December 2011	(25,209)	(45,078)	(25,381)	(46,557)
Impact on the net profits (net of deferred tax effect)	(25,209)	(45,078)	(25,381)	(46,557)

The table below sets forth the reconciliation of the net book value of the Group's properties as at 30 June 2012 with the valuation of such interests as at 30 September 2012 as stated in Appendix III to this prospectus.

	HK$'000
Net book value of the Group's properties as at 30 June 2012 as set out in Appendix I to this prospectus	
— Property, plant and equipment	4,058
— Interest in leasehold land	428
— Investment properties	759,848
— Inventories of properties	316,940
	1,081,274
Movement for the period from 1 July 2012 to 30 September 2012 (note a)	(21,319)
Revaluation surplus (note b)	329,837
Properties without property ownership certificates	(3,354)
Market value of the Group's properties as set out in Appendix III to this prospectus as at 30 September 2012	1,386,438

Notes:

(a) Movement for the period from 1 July 2012 to 30 September 2012 mainly represented costs incurred for construction of properties under development and investment properties of HK$159.6 million and exchange difference of HK$11.0 million, offset by cost of sales of properties of HK$191.8 million, depreciation of properties and amortisation of leasehold land of HK$0.04 million.

(b) The revaluation surplus will not be recorded in our consolidated financial statements as our property interests are (i) stated at cost less accumulated depreciation or amortisation and any impairment losses, or (ii) stated at the lower of cost and net realisable value.

NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group, prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of the Group attributable to the owners of the Company as if the Placing had taken place on 30 June 2012. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of this hypothetical nature, it may not give a true picture of our consolidated net tangible assets of the Group attributable to the owners of the Company had the Placing been completed on 30 June 2012 or at any future dates.

	Unadjusted audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2012	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on Placing Price of HK$0.93 per Share	516,039	59,128	575,167	1.92
Based on Placing Price of HK$0.65 per Share	516,039	38,878	554,917	1.85

Notes:

1. The unadjusted audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2012 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on the indicative Placing Price of HK$0.65 and HK$0.93 per Share respectively, after deduction of underwriting fees and other related expenses payable by the Company. No account has been taken of the Share which may be issued upon the exercise of Over-allotment Option or options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue but takes no account of any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Further information about the Company and its subsidiaries" in Appendix VI to this prospectus.

4. The property interests of the Group as at 30 September 2012 were valued by DTZ. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus.

   The revaluation surplus of the property interests under property, plant and equipment and interest in leasehold land of approximately HK$17,953,000 and inventories of properties of approximately of HK$315,092,000 will not be included in the Group's financial statements for the year ending 31 December 2012. The Group's accounting policy is to state such property, plant and equipment and interest in leasehold land at cost less accumulated depreciation or amortisation and any impairment loss rather than at revalued amount, and such inventories of properties at the lower of cost and net realisable value.

Had all the property interests been stated at such valuations, the additional annual depreciation or amortisation would be approximately HK$326,000.

5. The calculation of the unaudited pro forma adjusted net tangible assets has not taken into account of the capitalisation of loan amounted to approximately HK$7.5 million as detailed in note 2 to the financial information under section II of the accountants' report in Appendix I to this prospectus.

6. If the amount of loan capitalisation has been included in the above calculation, the unaudited pro forma adjusted net tangible assets per Share would have been increased to HK$1.88 and HK$1.94 based on Placing Prices of HK$0.65 and HK$0.93 per Share respectively.

7. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2012.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

LATEST FINANCIAL DEVELOPMENT

After 30 June 2012 and up to the Latest Practicable Date, there were no material delays in the delivery progress of Fond England. Subsequent to the Track Record Period, the Group has commenced delivery of Tower 1, 15 to 18 of Fond England which was in-line with the scheduled delivery plan and pre-sold approximately 446 sq.m. of retail shops of Fond England. Set out below are the operational data of the Group subsequent to the Track Record Period and up to the 31 October 2012:

	Average selling price — residential units	**Average selling price — carparks**	**Average selling price — retail shop**	**Pre-sales proceeds**	**GFA pre-sold (residential units, carparks and retail shops)**	**GFA sold and delivered (residential units, carparks and retail shops)**
	HK$ per sq.m.	*HK$ per sq.m.*	*HK$ per sq.m.*	*HK$'000*	*sq.m.*	*sq.m.*
For the period between 1 July 2012 and up to 31 October 2012	13,297.93	4,386.26	55,449.98	94,526	5,968.22	16,718.20

Subsequent to the Track Record Period, in respect of property development, the Group has obtained all necessary licences and permits for the commencement of construction of Li Yuan Project and construction has commenced in June 2012. The costs incurred for development of Li Yuan Project up to 31 October 2012 were within the Group's construction budget. In addition, construction progress of Li Yuan Project was in line with the construction plan.

In respect of the property leasing business, the Group undertook a renovation project with an expected renovation period from July 2012 to January 2013 for 4 properties located at Xingning Road and Minsheng Road respectively to enhance the fitouts and shopfronts of the properties. The Group has granted those affected tenants a rental concession including a six-month rent-free period and a two-month rent-half period commencing from the renovation period to compensate the loss to them arising from the renovation project. This concession is expected to decrease the property leasing income by approximately HK$3.6 million.

After 1 July 2012, the Group also experienced decrease in occupancy rates and fluctuation of rental rates of its investment properties (namely International Kitchen Supplies Centre and Yu Feng High Street). The decrease in occupancy rates of International Kitchen Supplies Centre was mainly due to a recent market downturn on construction materials market causing two tenants requested early termination of lease agreements and one tenant terminated the lease after the expiration of lease agreement in September 2012. The Directors are of the opinion that the vacant units might not be able to fill up immediately. The Directors are of the view that such decrease in occupancy rates of International Kitchen Supplies Centre will be offset by certain increase in rental rates during the period and therefore the Directors expected that the revenue contributed by the International Kitchen Supplies Centre for the year ending 31 December 2012 will remain comparable to the year ended 31 December 2011. In respect of Yu Feng High Street, the decrease in occupancy rates of Yu Feng High Street was mainly due to the Group's latest strategy to upgrade the tenant mix of Yu Feng High Street, and as a result the Group re-arranged a number of tenancy arrangements. The Directors are of the view that the units vacated under the re-arrangement might not be able to fill up within a short period of time as the Group intended to seek tenant mix which could upscale and to re-position Yu Feng High Street as a trendy and fashionable shopping mall. Along with the up-scaling strategy, the Group has offered attractive rental rates to potential targeted new tenants in order to attract reputable trendy and fashionable shops. For consistence, similar attractive rental rates will also be offered to existing tenants. As Yu Feng High Street was re-opened in December 2011, taking into account the full year effect of rental contribution, despite Yu Feng High Street recorded a decrease in both occupancy rates and rental rates, the Directors expected that the revenue contributed by Yu Feng High Street for the year ending 31 December 2012 will increase as compared to the year ended 31 December 2011.

The Directors consider that, with the combined effect of the increase in sales and delivery of carparks of Fond England with low gross profit margin and the sales and delivery of retail shops of Fond England with relatively high gross profit margin in the second half of 2012, gross profit margin for the second half of 2012 may be comparable as compared with the first half of 2012. Based on the unaudited management account of the Group for the four months ended 31 October 2012, the Group's gross profit margin remained stable at approximately 36.8%, as compared to the gross profit margin of the Group of approximately 33.8% for the six months ended 30 June 2012. In addition, the Group's financial performance for the year ending 31 December 2012 will be adversely affected by the non-recurring expenses incurred in relation to the Listing. The Group expects to incur listing expenses amounting to HK$12.8 million in the statement of comprehensive income for the year ending 31 December 2012. The Directors would like to emphasise that the listing expenses are a current estimate for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions.

The collection of the trade receivables during the four months ended 31 October 2012 was satisfactory. Substantial amount of trade receivables as at 30 June 2012 have been subsequently settled as at 31 October 2012.

The Group targets to sell and deliver (i) all of the remaining residential units and carparks of Fond England by the third quarter of 2013; (ii) all of the retail units of Fond England by 2012; and (iii) Li Yuan Project by December 2014. Accordingly, the net profit of the Group for the year ending 31 December 2013 is expected to decrease due to the decrease in expected GFA delivery. In addition, the expected sales and delivery of Block 10 of Phase 2 of Fond England and substantial amount of carparks in 2013 (both of which is expected to record low gross profit margin) is also expected to distort the gross profit margin of the Group for the year ending 31 December 2013.

The Directors also estimated that, within 4th quarter 2012, the Group will be offered with a banking facility amounted to approximately HK$47.0 million and/or entrusted loan amounted to approximately HK$49.0 million. As at the Latest Practicable Date, the banking facility was pending for approval from the bank while the Group has obtained the legal binding offer letter for such entrusted loan. The Group intended to drawn down such banking facility/entrusted loan within 4th quarter 2012 as general working capital.

Based on the latest construction schedule and progress and the expected proceeds generated from the sales and/or pre-sales of Fond England and pre-sales of Li Yuan Project, the Directors confirmed that it will have sufficient fund to finance its existing property projects and it is expected that there will be no material impact to the Group should it unable to obtain the relevant loans.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence on the Company to ensure that, up to the date of this prospectus and saved as disclosed above, there has been no material adverse change in the Group's financial or trading positions or prospects since 30 June 2012, the date to which the latest audited financial statements of the Group were made up and up to the date of this prospectus, which would materially affect the information shown in the Accountants' Report.

UNDERWRITERS

Cinda International Securities Limited
Orient Securities Limited
Ping An of China Securities (Hong Kong) Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Underwriting Agreement and this prospectus, at the Placing Price.

Subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and (ii) certain other conditions set out in the Underwriting Agreement, the Underwriters have severally agreed to subscribe for or purchase, or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing.

Grounds for termination

The obligations of the Underwriters to subscribe for, or procure subscribers for, the Placing Shares are subject to termination. The Underwriters shall be entitled to terminate their obligations under the Underwriting Agreement upon the occurrence of any of the following events by notice in writing to the Company given by the Joint Lead Managers (for themselves and on behalf of the Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "Termination Time"), if prior to the Termination Time:

(a) there comes to the notice of the Sole Sponsor, the Joint Lead Managers or any of the Underwriters:

  (i) any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement or any other provisions of the Underwriting Agreement by any party thereto other than the Sole Sponsor, the Joint Lead Managers and the Underwriters which, in any such cases, is considered, in the sole and absolute opinion of the Joint Lead Managers, to be material in the context of the Placing; or

  (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

  (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the sole and absolute opinion of the Joint Lead Managers, to be material in the context of the Placing; or

(iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Joint Lead Managers, a material omission in the context of the Placing; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the Company and any of the warrantors under the Underwriting Agreement arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement; or

(vi) any breach by any party to the Underwriting Agreement other than the Sole Sponsor, the Joint Lead Managers and the Underwriters of any provision of the Underwriting Agreement which, in the sole and absolute opinion of the Joint Lead Managers, is material; or

(b) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the BVI, the Cayman Islands, Hong Kong, the PRC, the US or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of the Group which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of the Group or otherwise material in the context of the Placing; or

(ii) any change in, or any event or series of events or development resulting or likely to result in any change in local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(iii) any change in the conditions of Hong Kong, the PRC, the US or international equity securities or other financial markets; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in all forms of taxation or exchange control (or the implementation of any exchange control) in the BVI, the Cayman Islands, Hong Kong, the PRC, the US or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business of the Group; or

(vi) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or the European Union (or any member thereof) or any of the jurisdictions in which the Group conducts business which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of the Group or otherwise material in the context of the Placing; or

(vii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(viii) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out,

which, in the sole and absolute opinion of the Joint Lead Managers:

(i) is or will be, or is very likely to be, adverse, in any material respect, to the business, financial or other conditions or prospects of the Group; or

(ii) has or will have, or is very likely to have, a material adverse effect on the success of the Placing or the level of the Placing Shares being applied for or accepted, the distribution of the Placing Shares or the demand for or the market price of the Shares following the Listing; or

(iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Placing as a whole.

For the above purpose:

(i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(ii) any normal fluctuations in Hong Kong, the PRC, the US or international equity securities or other financial markets shall not be construed as events or series of events affecting market conditions referred to above.

UNDERTAKINGS

Each of the Controlling Shareholders undertakes to and covenants with the Company, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that:

(a) he/she/it shall not, and shall procure that his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall not, sell, transfer or otherwise dispose of (including without limitation the entering into agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) any of the Shares or securities of the Company owned by him/her/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her/it which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following completion of the Placing and the Capitalisation Issue (the "Relevant Securities") within the period commencing from the Listing Date up to and including the date following six months after Listing Date (the "First Six-Month Period");

(b) he/she/it shall not, and shall procure that his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall not, within the six-month period commencing on the expiry date of the First Six-Month Period, sell, transfer or otherwise dispose of (including without limitation the entering into agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan) any of the Relevant Securities, if immediately following such sale, transfer or disposal, the Controlling Shareholders, taken as a whole, would cease to be a controlling shareholder (within the meaning in the GEM Listing Rules) of the Company or hold directly or indirectly a controlling interest (being an interest over 30.0% or such other amount as may from time to time be specified in the The Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) in the Company; and

(c) in the event of any such sale, transfer or disposal of Shares or any such interest referred to in (a) and (b) above, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares.

Without prejudice to the above, each of the Controlling Shareholders undertakes to the Company, the Stock Exchange, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that, within the period commencing on the Listing Date and ending on the date which is twelve months from the Listing Date, he/she/it will:

(i) when he/she/it or the registered owner pledges or charges any securities or interests in the securities of the Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform the Company, the Stock Exchange, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Stock Exchange, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) in writing of such indications.

The Company undertakes to inform the Stock Exchange as soon as practicable after it has been informed of the matters referred to in (i) or (ii) above by any Controlling Shareholder and disclose such matters by way of an announcement in compliance with the GEM Listing Rules.

The Company undertakes to and covenants with the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and each of the Controlling Shareholders undertakes to the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) that (a) no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue; and (b) there shall be no repurchase of any Shares or any other securities of the Company within the First Six-Month Period (whether or not such issue of Shares or securities will be completed within the First Six-Month Period), except for:

(A) the issue of Shares, the listing of which has been approved by the Stock Exchange, pursuant to the Share Option Scheme; and

(B) any Capitalisation Issue, capital reduction or consolidation or sub-division of Shares.

COMMISSION AND EXPENSES

The Joint Lead Managers (for themselves and on behalf of the Underwriters) will receive an underwriting commission at the rate of 3.0% of the aggregate Placing Price payable for the Placing Shares in accordance with the terms of the Underwriting Agreement, out of which the Underwriters will pay all (if any) sub-underwriting commission, and the Sole Sponsor will in addition receive a sponsorship fee in relation to the Placing. Such fee and commission, together with the GEM Listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, translation and other expenses relating to the Placing, amount to approximately HK$26.1 million (assuming the Offer Size Adjustment Option is not exercised and based on the Placing Price of HK$0.79 per Placing Share, being the mid-point of the indicative range of the Placing Price between HK$0.65 and HK$0.93) and is to be borne by the Company.

SOLE SPONSOR'S, JOINT LEAD MANAGERS' AND UNDERWRITERS' INTERESTS IN THE COMPANY

The Sole Sponsor will receive a sponsorship fee. The Joint Lead Managers (for themselves and on behalf of the Underwriters) will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the sub-section headed "Commission and expenses" in this section of the prospectus.

The Company will appoint the Sole Sponsor as its compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the compliance advisor agreement is otherwise terminated in accordance with its terms and conditions.

Save as disclosed above, none of the Sole Sponsor, the Joint Lead Managers nor the Underwriters is interested legally or beneficially in shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of the Group nor any interest in the Placing.

PLACING PRICE PAYABLE ON SUBSCRIPTION

Based on the Placing Price of HK$0.79 (being the midpoint of the indicative Placing Price range and assuming that the Offer Size Adjustment Option is not exercised) plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, one board lot of 4,000 Shares amounting to a total of approximately HK$3,191.85 will be payable on subscription.

CONDITIONS OF THE PLACING

Acceptance of all application for the Placing Shares will be conditional upon, inter alia:

1. the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation issue and the Placing, and any Shares which may fall to be issued pursuant to any exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme as described in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the shares on GEM; and

2. the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, the waiver of any condition(s) by the Joint Lead Managers (on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 December 2012, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived (as the case may be) prior to the times and dates specified in the Underwriting Agreement, the Placing will lapse and the Listing Division will be notified immediately. Notice of the lapse of the Placing will be caused to be published by the Company on the GEM website on the next Business Day following such lapse.

THE PLACING

75,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25.0% of the enlarged issued share capital of the Company. In addition, the Company has granted the Offer Size Adjustment Option, exercisable by the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 13 December 2012, the last Business Day prior to the Listing Date, to require the Company to allot and issue up to 11,250,000 additional new Shares, representing 15.0% of the Shares initially available for subscription under the Placing, on the same terms as those applicable to the Placing. The Placing is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement. Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company, will conditionally place the Placing Shares at the Placing Price payable by the investors acquiring the Placing Shares plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. The Placing Shares shall be placed with selected professional, institutional or other investors. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level of indication, timing and demand, and whether or not it is expected that the relevant investors are likely to buy further Placing Shares or hold or sell their Placing Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid and broad shareholder base to the benefit of the Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders.

No allocations of the Placing Shares will be permitted to nominee companies, unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM by the Listing Division and the compliance by the Company with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisors for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DETERMINATION OF THE PLACING PRICE

The Placing Price is expected to be fixed by the price determination agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date, which is currently scheduled to be on or about 7 December 2012.

If, for whatever reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company are unable to reach agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse. In such event, the Company will issue an announcement to be published on the GEM website and the Company's website at www.southwesteco.com.

The Placing Price will not be more than HK$0.93 per Placing Share and is currently expected to be not less than HK$0.65 per Placing Share. The final Placing Price will fall within the indicative Placing Price range as stated in this prospectus unless otherwise announced, as further explained below.

The final Placing Price, the level of indication of interest in the Placing and the basis of allocation of the Placing Shares, are expected to be announced on the GEM website on or before 13 December 2012.

If, based on the level of indication of interest expressed by prospective institutional, professional or other investors during the book-building process, the Joint Lead Managers (on behalf of the Underwriters) consider it appropriate, and with the consent of the Company, the indicative Placing Price range may be reduced below that stated in this prospectus at any time on or before the Price Determination Date. In such a case, the Company will, as soon as practicable following the decision to make such reduction, cause to be published on the GEM website an announcement of such change. Such announcement will also include confirmation or revision, as appropriate, of the working capital statement, the Placing statistics, as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any announcement being published on the GEM website of a reduction in the indicative Placing Price range stated in this prospectus in the manner set out herein, the final Placing Price, upon agreed by the Lead Manager and the Company, will under no circumstances be set outside the Placing Price range as stated in this prospectus.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to the Underwriters the Offer Size Adjustment Option, which is exercisable by the Joint Lead Managers (on behalf of the Underwriters) on or before 13 December 2012, the last Business Day prior to the Listing Date, to require the Company to allot and issue up to an aggregate of 11,250,000 additional Shares at the Placing Price, representing 15% of the total number of Shares initially available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the sole and absolute discretion of the Joint Lead Managers.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Lead Managers to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the GEM website.

If the Offer Size Adjustment Option is exercised in full, the additional 11,250,000 Shares and the Shares offered in the Placing will represent approximately 3.6% and 27.7% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Statement of business objectives and use of proceeds" in this prospectus, on a pro rata basis.

COMMENCEMENT OF DEALING IN SHARES

Dealings in Shares on GEM are expected to commence on 14 December 2012. The Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong:

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www.bdo.com.hk

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香港干諾道中111號
永安中心25樓

30 November 2012

The Directors
South West Eco Development Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding South West Eco Development Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the two years ended 31 December 2010, 2011 and the six months ended 30 June 2012 (the "Relevant Periods") and the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 30 June 2012, the statements of financial position of the Company as at 31 December 2011 and 30 June 2012, together with explanatory notes thereto (the "Consolidated Financial Information"), for inclusion in the prospectus of the Company dated 30 November 2012 (the "Prospectus") in connection with the initial listing of the shares of the Company (the "Listing") on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as fully explained in the paragraph headed "History and development — corporate reorganisation" on page 110 to the Prospectus, the Company has become the holding company of the subsidiaries now comprising the Group as set out below. The principal activity of the Company is investment holding. The Group is principally engaged in property development, property investment and property management.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name	Country/place and date of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held by the Company	Principal activities	Name of statutory auditors for 2010 and 2011
Interests held directly					
Global Touch Holdings Limited ("Global Touch")	British Virgin Islands ("BVI") 8 November 2010	10,000 ordinary shares of US$1.00 each	100%	Investment holding	Not applicable*
Interests held indirectly					
Leepark Holdings Limited ("Leepark Holdings")	Hong Kong 5 June 2006	1,000,000 ordinary shares of HK$1.00 each	100%	Investment holding	BDO Limited
New Merit Holdings Limited ("New Merit")	BVI 25 November 2009	1 ordinary share of US$1.00 each	100%	Investment holding	Not applicable*
Ruby Properties Limited ("Ruby Properties")	Hong Kong 19 October 2009	200 ordinary shares of HK$1.00 each	100%	Investment holding	BDO Limited
Leepark (Netherlands) Limited ("Leepark (Netherlands)")	Hong Kong 27 May 2006	10,000 ordinary shares of HK$1.00 each	100%	Investment holding	BDO Limited
廣西南寧利柏商務服務有限公司 (Guangxi Nanning Leepark Business Service Company Limited) (formerly known as 廣西南寧利柏商務有限公司 (Guangxi Leepark Business Service Company Limited)) ("Leepark Business Service")Δ	The People's Republic of China ("PRC") 29 September 2003	RMB800,000	100%	Investment holding	廣西同德會計師事務所有限責任公司
廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) ("Bai Yi Commercial")Δ	PRC 9 September 1997	RMB23,408,000	87.52%	Property leasing and property development	廣西同德會計師事務所有限責任公司#
南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited) ("Golden Yu Feng")Δ	PRC 4 August 2003	RMB3,000,000	98.77%	Property management, property consultancy and property leasing	廣西同德會計師事務所有限責任公司
南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) ("Yu Feng Real Estate")Δ	PRC 27 July 1993	RMB33,544,000	93.84%	Property leasing	廣西同德會計師事務所有限責任公司

Name	Country/place and date of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held by the Company	Principal activities	Name of statutory auditors for 2010 and 2011
南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) ("WTS Real Estate")Δ	PRC 3 August 2001	RMB10,000,000	93.84%	Property development	廣西同德會計師事務所有限責任公司

* No statutory audit requirement

Δ The English translation of the company name is for reference only. The official names of these companies are in Chinese.

\# A qualified opinion has been expressed in the statutory accounts of Bai Yi Commercial for the years ended 31 December 2010 and 2011 by 廣西同德會計師事務所有限責任公司. Bai Yi Commercial has not accounted for its interests in associates under equity method of accounting. The Group has accounted for its interests in associates under equity method of accounting in the Consolidated Financial Information and Comparative Financial Information.

All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company since the date of its incorporation as it was newly set up and has not been involved in any business transaction other than the Reorganisation. No audited financial statements have been prepared for Global Touch and New Merit since their respective dates of incorporation as they are incorporated in a country where they are not subject to statutory audit requirements.

BASIS OF PREPARATION

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the accounting policies set out in note 3 of section II below which conform with Hong Kong Financial Reporting Standards (the "HKFRS Financial Statements") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the basis of presentation set out in note 2 of section II below.

The Consolidated Financial Information has been prepared based on the HKFRS Financial Statements, with no adjustments made thereon.

RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Consolidated Financial Information that gives a true and fair view in accordance with the accounting policies set out in note 3 of section II below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Consolidated Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Consolidated Financial Information based on our procedures and to report our opinion to you.

BASIS OF OPINION

As a basis for forming an opinion on the Consolidated Financial Information, we have carried out audit procedures in respect of the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and we have examined financial information and have carried out such appropriate procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

OPINION

In our opinion, for the purpose of this report, the Consolidated Financial Information, prepared on the basis of presentation as set out in note 2 of section II below and in accordance with the accounting policies set out in note 3 of section II below, gives a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 30 June 2012 and the Company as at 31 December 2011 and 30 June 2012 and of the Group's results and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the Group's consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2011, together with the notes thereto (the "Comparative Financial Information") for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the basis of presentation set out in note 2 of section II and the accounting policies set out in note 3 of section II below, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit concluded in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Consolidated Financial Information.

I. CONSOLIDATED FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended 31 December		Six months ended 30 June	
	Notes	**2010**	**2011**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	6	163,082	328,436	40,708	175,662
Cost of sales		(99,823)	(197,074)	(19,324)	(116,339)
Gross profit		63,259	131,362	21,384	59,323
Other income	7	1,559	7,865	6,214	1,526
Gain on changes in fair value of investment properties		30,775	46,524	6,900	49,954
Administrative expenses		(36,303)	(42,133)	(22,932)	(26,054)
Selling expenses		(11,253)	(9,024)	(2,137)	(3,939)
Share of loss of an associate		(51)	—	—	—
Profit before income tax	9	47,986	134,594	9,429	80,810
Income tax expense	10	(23,457)	(56,300)	(3,360)	(34,163)
Profit for the year/period		24,529	78,294	6,069	46,647
Other comprehensive income					
Exchange gain/(loss) on translation of financial statements of foreign operations		17,700	20,364	7,561	(5,448)
Revaluation surplus upon transfer of owner-occupied properties to investment properties		—	3,701	3,701	—
Deferred tax liabilities arising on revaluation of properties		—	(611)	(611)	—
Other comprehensive income for the year/period		17,700	23,454	10,651	(5,448)
Total comprehensive income for the year/period		42,229	101,748	16,720	41,199

Consolidated Statements of Comprehensive Income (continued)

		Year ended 31 December		Six months ended 30 June	
	Notes	**2010**	**2011**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit for the year/period attributable to:					
Owners of the Company		21,942	70,373	5,438	40,822
Non-controlling interests		2,587	7,921	631	5,825
		24,529	78,294	6,069	46,647
Total comprehensive income attributable to:					
Owners of the Company		37,678	91,665	15,283	35,973
Non-controlling interests		4,551	10,083	1,437	5,226
		42,229	101,748	16,720	41,199
Earnings per share for profit attributable to the owners of the Company	13				
- Basic (HK cents)		9.8	31.3	2.4	18.1
- Diluted (HK cents)		9.8	31.3	2.4	18.1

Consolidated Statements of Financial Position

		As at 31 December		As at 30 June
	Notes	**2010**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	15,764	10,387	9,514
Interests in leasehold land	15	434	439	428
Investment properties	16	603,045	715,092	759,848
Available-for-sale financial assets	17	7,102	7,537	7,595
Deferred tax assets	27	2,800	4,840	—
		629,145	738,295	777,385
Current assets				
Inventories of properties	18	280,268	354,130	316,940
Trade receivables	19	366	534	4,299
Deposits, prepayments and other receivables	20	54,520	29,552	29,009
Amounts due from related parties	21	6,191	35	—
Amounts due from shareholders	21	38	38	38
Amount due from a director	21	41	—	—
Tax prepaid		—	—	617
Cash and cash equivalents	22	160,796	138,613	75,243
		502,220	522,902	426,146
Current liabilities				
Trade payables	23	21,591	10,355	5,761
Dividend payables	24	6,164	4,223	2,455
Accruals, deposits received and other payables	25	52,726	63,387	72,079
Advances received from the pre-sale of properties under development and properties held for sale		276,616	277,496	256,917
Amount due to a related party	21	2,362	—	—
Amounts due to directors	21	8,082	8,564	8,471
Interest-bearing borrowings	26	25,533	105,492	52,934
Taxation liabilities		28,313	41,342	7,673
		421,387	510,859	406,290

Consolidated Statements of Financial Position (continued)

		As at 31 December		As at 30 June
	Notes	**2010**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*
Net current assets		80,833	12,043	19,856
Total assets less current liabilities		709,978	750,338	797,241
Non-current liabilities				
Interest-bearing borrowings	26	136,648	48,152	44,976
Deferred tax liabilities	27	138,406	166,118	175,121
		275,054	214,270	220,097
Net assets		434,924	536,068	577,144
EQUITY				
Share capital	28	—	—	—
Reserves	29	388,225	480,066	516,039
Equity attributable to the Company's owners		388,225	480,066	516,039
Non-controlling interests		46,699	56,002	61,105
Total equity		434,924	536,068	577,144

Statement of Financial Position of the Company

	Note	**As at 31 December 2011** *HK$'000*	**As at 30 June 2012** *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets		—	—
Current assets		—	—
Current liabilities		—	—
Net current assets		—	—
Total assets less current liabilities		—	—
Net assets		—	—
EQUITY			
Share capital	28	—	—
Reserves		—	—
Total equity		—	—

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2010 HK$'000	2011 HK$'000	Six months ended 30 June 2011 HK$'000 (unaudited)	2012 HK$'000
Cash flows from operating activities					
Profit before income tax		47,986	134,594	9,429	80,810
Adjustments for:					
Amortisation of interests in leasehold land	9	13	13	7	7
Depreciation of property, plant and equipment	9	2,188	2,237	1,047	988
Dividend income from available-for-sale financial assets	7	(63)	(869)	(859)	(899)
Gain on changes in fair value of investment properties	16	(30,775)	(46,524)	(6,900)	(49,954)
Gain on disposal of an associate	9	(99)	—	—	—
Loss/(Gain) on disposals of property, plant and equipment	9	8	(5,345)	(4,662)	(36)
Impairment loss on trade receivables	9	—	154	154	—
Bank interest income	7	(491)	(895)	(403)	(197)
Share of loss of an associate		51	—	—	—
Operating profit/(loss) before working capital changes		18,818	83,365	(2,187)	30,719
(Increase)/Decrease in inventories of properties		(7,878)	(52,229)	(56,671)	36,471
Increase in trade receivables		(83)	(303)	(1,259)	(3,787)
(Increase)/Decrease in deposits, prepayments and other receivables		(30,146)	26,670	(12,544)	253
(Decrease)/Increase in trade payables		(33,219)	(11,888)	302	(4,508)
(Decrease)/Increase in accruals, deposits received and other payables		(1,084)	8,311	(1,294)	9,346
Increase/(Decrease) in advances received from the pre-sale of properties under development and properties held for sale		144,713	(10,637)	85,190	(17,824)
Cash generated from operations		91,121	43,289	11,537	50,670
Income tax paid		(20,308)	(25,848)	(8,030)	(52,616)
Net cash generated from/(used in) operating activities		70,813	17,441	3,507	(1,946)

Consolidated Statements of Cash Flows (continued)

		Year ended 31 December		Six months ended 30 June	
	Notes	**2010**	**2011**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cash flows from investing activities					
Decrease in amounts due from related parties		77,269	6,275	6,238	35
Increase in amounts due from shareholders		(38)	—	—	—
(Increase)/Decrease in amount due from a director		(39)	42	42	—
Decrease in amount due from an associate		5,200	—	—	—
Purchases of property, plant and equipment		(2,633)	(802)	(563)	(223)
Purchases of investment properties		(42,336)	(24,977)	(2,896)	—
Proceeds from disposals of property, plant and equipment		7	5,462	4,720	41
Dividend received from available-for-sale financial assets		63	739	730	763
(Increase)/Decrease in restricted bank deposits		(2,149)	2,209	2,184	1,460
Interest received		491	895	403	197
Net cash generated from/(used in) investing activities		35,835	(10,157)	10,858	2,273
Cash flow from financing activities					
Capital contribution to a subsidiary by the shareholder		6	—	—	—
Decrease in amount due to a related party		(18,576)	(2,408)	(1)	—
(Decrease)/Increase in amounts due to directors		(43,381)	482	431	(93)
Acquisition of non-controlling interests		(40)	—	—	—
Dividend paid to other shareholders		—	(2,746)	(1,356)	(1,840)
Interest paid		(11,055)	(12,128)	(5,727)	(4,739)
Proceeds from new borrowings		45,032	39,831	—	7,500
Repayments of borrowings		(16,018)	(56,422)	(23,837)	(62,171)
Net cash used in financing activities		(44,032)	(33,391)	(30,490)	(61,343)

Consolidated Statements of Cash Flows (continued)

		Year ended 31 December		Six months ended 30 June	
	Notes	**2010**	**2011**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Net increase/(decrease) in cash and cash equivalents		62,616	(26,107)	(16,125)	(61,016)
Cash and cash equivalents as at 1 January		81,705	150,577	150,577	130,218
Effect of foreign exchange rates changes on cash and cash equivalents		6,256	5,748	2,425	(815)
Cash and cash equivalents as at 31 December/30 June	22	150,577	130,218	136,877	68,387

Consolidated Statements of Changes in Equity

	Equity attributable to the owners of the Company								
	Share capital	Statutory reserve	Exchange reserve	Capital reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010	—	14,307	5,949	25,766	—	335,932	381,954	44,976	426,930
Capital contribution to a subsidiary by the shareholder	—	—	—	6	—	—	6	—	6
Arising from acquisition of additional interest in a subsidiary	—	—	—	95	—	—	95	(135)	(40)
Dividend to the Company's owners	—	—	—	—	—	(31,508)	(31,508)	—	(31,508)
Dividend to other shareholders	—	—	—	—	—	—	—	(2,693)	(2,693)
Transactions with owners	—	—	—	101	—	(31,508)	(31,407)	(2,828)	(34,235)
Profit for the year	—	—	—	—	—	21,942	21,942	2,587	24,529
Other comprehensive income									
- Exchange gain on translation of financial statements of foreign operations	—	—	15,736	—	—	—	15,736	1,964	17,700
Total comprehensive income for the year	—	—	15,736	—	—	21,942	37,678	4,551	42,229
Transfer between reserves	—	684	—	—	—	(684)	—	—	—
Balance as at 31 December 2010 and 1 January 2011	—	14,991	21,685	25,867	—	325,682	388,225	46,699	434,924
Arising from deemed acquisition of additional interest in a subsidiary	—	—	—	176	—	—	176	(176)	—
Dividend to other shareholders	—	—	—	—	—	—	—	(604)	(604)
Transactions with owners	—	—	—	176	—	—	176	(780)	(604)
Profit for the year	—	—	—	—	—	70,373	70,373	7,921	78,294
Other comprehensive income									
- Exchange gain on translation of financial statements of foreign operations	—	—	18,202	—	—	—	18,202	2,162	20,364
- Revaluation surplus upon transfer of owner-occupied properties to investment properties	—	—	—	—	3,701	—	3,701	—	3,701
- Deferred tax liabilities arising on revaluation of properties	—	—	—	—	(611)	—	(611)	—	(611)
Total comprehensive income for the year	—	—	18,202	—	3,090	70,373	91,665	10,083	101,748
Transfer between reserves	—	2,740	—	—	—	(2,740)	—	—	—
As at 31 December 2011	—	17,731	39,887	26,043	3,090	393,315	480,066	56,002	536,068

Consolidated Statements of Changes in Equity (continued)

	Equity attributable to the owners of the Company								
	Share capital	Statutory reserve	Exchange reserve	Capital reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2011 (unaudited)									
As at 1 January 2011	—	14,991	21,685	25,867	—	325,682	388,225	46,699	434,924
Arising from deemed acquisition of additional interest in a subsidiary (unaudited)	—	—	—	176	—	—	176	(176)	—
Transactions with owners	—	—	—	176	—	—	176	(176)	—
Profit for the period (unaudited)	—	—	—	—	—	5,438	5,438	631	6,069
Other comprehensive income									
- Exchange gain on translation of financial statements of foreign operations (unaudited)	—	—	6,755	—	—	—	6,755	806	7,561
- Revaluation surplus upon transfer of owner-occupied properties to investment properties (unaudited)	—	—	—	—	3,701	—	3,701	—	3,701
- Deferred tax liabilities arising on revaluation of Properties (unaudited)	—	—	—	—	(611)	—	(611)	—	(611)
Total comprehensive income for the period (unaudited)	—	—	6,755	—	3,090	5,438	15,283	1,437	16,720
As at 30 June 2011 (unaudited)	—	14,991	28,440	26,043	3,090	331,120	403,684	47,960	451,644
Six months ended 30 June 2012									
As at 1 January 2012	—	17,731	39,887	26,043	3,090	393,315	480,066	56,002	536,068
Dividend to other shareholders	—	—	—	—	—	—	—	(123)	(123)
Transactions with owners	—	—	—	—	—	—	—	(123)	(123)
Profit for the period	—	—	—	—	—	40,822	40,822	5,825	46,647
Other comprehensive income									
- Exchange loss on translation of financial statements of foreign operations	—	—	(4,849)	—	—	—	(4,849)	(599)	(5,448)
Total comprehensive income for the period	—	—	(4,849)	—	—	40,822	35,973	5,226	41,199
Transfer between reserves	—	12,223	—	—	—	(12,223)	—	—	—
As at 30 June 2012	—	29,954	35,038	26,043	3,090	421,914	516,039	61,105	577,144

II. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

South West Eco Development Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law on 18 February 2011. As at the date of incorporation, the Company had an authorised share capital of HK$200,000 comprising 2,000,000 ordinary shares of HK$0.1 of which one ordinary share of HK$0.1 was allotted and issued, nil paid. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands and its principal place of business in Hong Kong is Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

2. REORGANISATION AND BASIS OF PRESENTATION

A reorganisation exercise was undertaken by the Group to rationalise the corporate structure for the Listing. The following steps were carried out in the Reorganisation:

(1) **Incorporation of Global Touch**

On 8 November 2010, Global Touch was incorporated in the BVI as a BVI business company with 50,000 authorised shares of USD1.00 each. On 10 December 2010, an aggregate of 100 shares of USD1.00 each were allotted and issued as fully paid at par by Global Touch, as to 40 shares to First Beijing International Limited ("First Beijing"), 40 shares to Ease Gain Holdings Limited ("Ease Gain") and 20 shares to Chosen Leader Limited ("Chosen Leader").

(2) **Transfer to Yu Feng Real Estate of the 3% registered capital of WTS Real Estate held by its trustee**

On 23 December 2010, the 3% registered capital in WTS Real Estate in the sum of RMB300,000 held by Mr. He Hao (何好) on trust for Yu Feng Real Estate was transferred by Mr. He Hao (何好) to Yu Feng Real Estate at nil consideration.

(3) **Incorporation of the Company**

On 18 February 2011, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$200,000 divided into 2,000,000 shares. On the same day, one share was allotted and issued, nil paid, to the subscriber. Such subscriber share was transferred by the subscriber to First Beijing on the same day.

(4) **Disposal of 桂平市裕豐房地產開發有限公司 (Guiping Yu Feng Real Estate Development Co. Ltd.) ("Guiping Yu Feng") by Yu Feng Real Estate**

On 30 December 2010, Yu Fung Real Estate entered into a share transfer agreement with Mr. Liu Yuan Qiang (劉元強), Mr. Huang Li Shan (黃立山) and Mr. Pan Guo Jian (潘國健). An aggregate of 60% registered capital in Guiping Yu Feng in the total sum of RMB4,800,000 was transferred, as to 40% by Yu Feng Real Estate to Mr. Liu Yuan Qiang (劉元強) (11%) and Mr. Pun Guo Jin (潘國健) (29%), and as to 20% by Mr. Huang Li Shan (黃立山) to Mr. Pun Guo Jin (潘國健), the transferees are independent third parties, for cash at a total consideration of approximately RMB4,182,000 (as to approximately RMB2,788,000 to Yu Feng Real Estate and as to approximately RMB1,394,000 to Mr. Huang Li Shan (黃立山)). The fresh business licence of Guiping Yu Feng was issued on 30 January 2011.

(5) **Increase in authorised share capital of, and allotment of shares in, Leepark Holdings**

On 16 December 2010, the authorised share capital of Leepark Holdings was increased from HK$10,000 to HK$1,000,000 by the creation of 990,000 shares of HK$1.00 each. On the same day, the newly created 990,000 shares of HK$1.00 each were allotted and issued to Global Touch for cash at par.

(6) **Acquisition of Leepark Holdings by Global Touch**

On 31 December 2010, Global Touch acquired from Dr. Lee Kai Hung ("Dr. Lee"), Ms. Chan Koon Woon ("Mrs. Lee") and Dr. Lee Tse Ching, Elaine ("Dr. Elaine Eick") 4,000 shares, 4,000 shares and 2,000 shares respectively of HK$1.00 in the issued share capital of Leepark Holdings in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,200 shares of USD1.00 each in its capital, as to 480 shares to First Beijing (at the direction of Dr. Lee), 480 shares to Ease Gain (at the direction of Mrs. Lee) and 240 shares to Chosen Leader (at the direction of Dr. Elaine Eick).

(7) **Acquisition of New Merit by Global Touch**

On 31 December 2010, Global Touch acquired from Dr. Lee the entire issued share capital of New Merit in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 800 shares of USD1.00 each in its capital as to 320 shares to First Beijing, as to 320 shares to Ease Gain and as to 160 shares to Chosen Leader (all at the direction of Dr. Lee).

(8) **Acquisition of Leepark (Netherlands) by Global Touch**

On 11 February 2011, Global Touch acquired from Dr. Lee, Mrs. Lee and Dr. Elaine Eick 4,000 shares, 4,000 shares and 2,000 shares of HK$1.00 each, representing 100% of the then entire issued share capital of Leepark (Netherlands) in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,000 shares of USD1.00 each in its capital, as to 400 shares to First Beijing (at the direction of Dr. Lee), 400 shares to Ease Gain (at the direction of Mrs. Lee) and 200 shares to Chosen Leader (at the direction of Dr. Elaine Eick).

(9) **Transfer to Ruby Properties of the equity interest in Golden Yu Feng and Yu Feng Real Estate held by its nominee**

On 19 March 2012 and 18 May 2012, the 10.125% equity interest in Golden Yu Feng and the 50.62% equity interest in Yu Feng Real Estate held by Leepark Properties Limited ("Leepark UK") upon trust for Ruby Properties were transferred by Leepark UK to Ruby Properties at nil consideration respectively.

(10) **Novation of debt to Global Touch**

On 23 November 2012, Leepark Holdings and Leepark (Netherlands) (as original debtors), Global Touch (as new debtor) and Mrs. Lee (as creditor) entered into a deed of novation by which the debt in the total amount of approximately HK$7.47 million (the "Assigned Debt") (representing interest-free director's loan made by Mrs. Lee to Leepark Holdings and Leepark (Netherlands)) was novated to Global Touch. Following the novation, Global Touch became indebted to Mrs. Lee the amount of the Assigned Debt, which was fully settled on 23 November 2012 in the manner described below.

(11) **Capitalisation of the debt**

On 23 November 2012, the full amount of the Assigned Debt as disclosed above was capitalised by the allotment and issue of an aggregate of 6,900 shares of US$1.00 each in Global Touch, credited as fully paid, at the request and by the direction of Mrs. Lee, as to 2,760 shares to First Beijing, 2,760 shares to Ease Gain and 1,380 shares to Chosen Leader.

(12) **Increase of authorised share capital of the Company**

On 23 November 2012, the authorised share capital of the Company was increased from HK$200,000 to HK$100,000,000 by the creation of 998,000,000 new shares.

(13) **Acquisition of Global Touch by the Company**

On 23 November 2012, the Company acquired from First Beijing, Ease Gain and Chosen Leader the entire issued share capital of Global Touch, in consideration of and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 99,999,999 new shares, as to 39,999,999 shares to First Beijing, 40,000,000 shares to Ease Gain and 20,000,000 shares to Chosen Leader and (ii) credited as fully paid at par the one nil paid share then held by First Beijing.

(14) **Capitalisation issue**

Conditional upon the share premium account of the Company being credited as a result of the placing, the directors are authorised to capitalise a sum of HK$12,500,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 125,000,000 shares for allotment and issue to the then shareholders of the Company as at 23 November 2012 in proportion to their then respective shareholdings in the Company.

Following the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is regarded as a continuing entity resulting from the Reorganisation since the businesses and the companies which took part in the Reorganisation were either controlled by Dr. Lee, Mrs. Lee and Dr. Elaine Eick before and after the Reorganisation or incorporated/established by the Group for the purpose of the Reorganisation. Dr. Lee, Mrs. Lee and Dr. Elaine Eick are close family members and act together as a single group of shareholders (the "Controlling Shareholders") to manage and control the business and operations of the Group so as to obtain economic benefits from the Group. Consequently, immediately after the Reorganisation, there was a continuation of the risk and benefits to the Controlling Shareholders that existed prior to the Reorganisation. Accordingly, the Consolidated

Financial Information and Comparative Financial Information have been prepared using the principles of merger accounting, in accordance with the Accounting Guideline No. 5 "Merger Accounting for Common Control Combination" issued by the HKICPA, as if the current group structure had been in existence throughout the Relevant Periods.

Under merger accounting, the net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Shareholders' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation, to the extent of the continuation of the controlling party or parties' interests. The consolidated statement of comprehensive income includes the results of each of the companies now comprising the Group from the earliest date presented or since the date when the companies now comprising the Group first came under the common control, where this is a shorter period, regardless of the date of the Reorganisation. All significant intra-group transactions and balances have been eliminated on consolidation. Non-controlling interests represent the interests of outside shareholders not held by the Controlling Shareholders in the results and net assets of the combining entities.

The Group's interests in Golden Yu Feng and Yu Feng Real Estate held through Leepark UK are held on trust under English laws and on behalf of Ruby Properties before 19 March 2012 and 18 May 2012 respectively. As advised by the legal advisers of the Company as to PRC laws, the overseas trust arrangement is not in violation of PRC laws, rules and regulations.

As at 30 June 2012, the substantive steps in the Reorganisation are completed. The remaining step of novation and capitalisation of the debt does not impact the composition of the Group and the remaining step of acquisition of Global Touch by the Company is accounted for as a continuation of the existing Group. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods have been prepared to present the results, changes in equity and cash flows of the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment or acquisition, whichever was shorter. The consolidated statements of financial position of the Group as of 31 December 2010, 2011 and 30 June 2012 have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence at those dates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Consolidated Financial Information and Comparative Financial Information have been prepared in accordance with the accounting policies set out below, which conform to HKFRSs (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Consolidated Financial Information and Comparative Financial Information also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

All HKFRSs effective for the accounting periods commencing from 1 January 2012 and relevant to the Group, have been adopted by the Group in the preparation of the Consolidated Financial Information and Comparative Financial Information consistently throughout the Relevant Periods to the extent required or allowed by the transitional provisions in HKFRS.

The Consolidated Financial Information and Comparative Financial Information have been prepared under historical cost basis except for investment properties, which are stated at fair value. The measurement basis are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Consolidated Financial Information and Comparative Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Information and Comparative Financial Information are disclosed in note 4.

The Consolidated Financial Information and Comparative Financial Information are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Impact of issued but not yet effective HKFRSs

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle [2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [1]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities [3]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HKAS 19 (2011)	Employee Benefits [2]
HKAS 27 (2011)	Separate Financial Statements [2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Information on new and revised HKFRSs that are expected to affect the Group is as follows:

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 - Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 - Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3.2 **Basis of consolidation**

Except for those acquisitions which qualify as a common control combination, which are accounted for using merger accounting, acquisition method of accounting is used for the acquisition of subsidiaries by the Group. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the Consolidated Financial Information and Comparative Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3.3 **Subsidiaries**

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

3.4 **Foreign currency translation**

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the Consolidated Financial Information and Comparative Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

3.5 **Property, plant and equipment**

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

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the lease terms
Leasehold improvement	5 years or over the lease terms, whichever is shorter
Furniture and fixtures	9 to 33 1/3%
Plant and machinery	9 to 20%
Motor vehicles	4 to 20%
Yacht	33 1/3%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

3.6 **Interests in leasehold land**

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 3.12. Amortisation is calculated on a straight line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

3.7 **Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

3.8 **Financial assets**

The Group's accounting policies for financial assets other than investments in associates are set out below. Financial assets are classified as loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial re-organisation;
- significant changes in the technological, market, economics or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale financial assets

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment losses of financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivables are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.9 **Inventories of properties**

Inventories of properties comprise properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventories of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventories of properties consist of land held under operating lease (see note 3.12), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.10 **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11 **Financial liabilities**

The Group's financial liabilities include trade payables, dividend payables, accruals and other payables, amounts due to a related party/directors and interest-bearing borrowings. They are separately shown on the face of the statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 3.18).

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade payables, dividend payables, accruals and other payables and amounts due to a related party/directors

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.12 **Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets leased out under operating leases as the lessors

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Assets leased out under operating leases as the lessees

The total rental payable under operating leases are recognised in profit or loss on a straight line basis over the term of the relevant lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3.13 **Provisions and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

3.14 **Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3.15 **Revenue and other income recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised upon the delivery of the properties to the purchasers and when collectability of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under advances received from the pre-sale of properties under development and properties held for sale.

Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

Building management income, consultancy service income, business support service income and clerical service income are recognised in the accounting period when the respective services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised in the accounting period when the right to receive payment is established.

3.16 **Impairment of non-financial assets**

Property, plant and equipment and interests in leasehold land are subject to impairment testing. They are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17 **Employee benefits**

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the group entities incorporated in Hong Kong manages a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable to these plans.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.18 **Borrowing costs**

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.19 **Accounting for income taxes**

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arising from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.20 **Financial guarantee contract**

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where the consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.13 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.21 **Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker i.e. the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Property leasing — Leasing of commercial units and shops;
Property development — Construction and sales of residential units and commercial shops;
Building management services — Rendering of building management services; and
Advisory and consultancy services — Rendering of advisory and consultancy services.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except for dividend income from available-for-sale financial assets, gain on disposal of an associate, share of loss of an associate, corporate income and expenses (including income tax expenses) which are not directly attributable to the business activities of any operating segment and income taxes are not included in arriving at the operating results of the operating segment.

Segment assets include all assets except for available-for-sales financial assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include dividend payables, provision for income tax and deferred tax liabilities, which are not directly attributable to the business activities of any operating segment.

3.22 **Government grants**

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

3.23 **Related parties**

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated fair value of investment properties

The best evidence of fair value is current prices in an active market for similar property in the same location and condition and subject to the same lease or other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Estimated net realisable value of inventories of properties

Management reviews the recoverable amount of inventories of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 3.15. The assessment of when an entity has transferred the significant risks and rewards of ownership to purchasers requires the examination of the circumstances of the transactions.

Income taxes and deferred taxation

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expenses in the periods in which such estimate is changed. The outcome of their actual utilisation may be different.

PRC land appreciation taxes

The Group is subject to land appreciation taxes ("LAT") in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

5. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Property leasing — Leasing of commercial units and shops;

Property development — Construction and sales of residential units and commercial shops;

Building management services — Rendering of building management services; and

Advisory and consultancy services — Rendering of advisory and consultancy services.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-maker for assessment of segment performance.

The executive directors have identified the Group's four business lines as operating segments as further described in note 3.21.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Segment revenue and results

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010					
Reportable segment revenue	37,542	105,492	17,418	3,533	163,985
Reportable segment profit	30,961	2,688	2,112	1,226	36,987
Other segment information:					
Interest income	95	357	32	7	491
Amortisation of leasehold land	13	—	—	—	13
Gain on fair value of investment properties	30,775	—	—	—	30,775
Income tax expense	14,703	3,095	—	—	17,798
Depreciation of property, plant and equipment	936	186	438	86	1,646

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2011					
Reportable segment revenue	44,501	265,313	18,191	1,302	329,307
Reportable segment profit/(loss)	50,119	64,472	660	(569)	114,682
Other segment information:					
Interest income	293	522	73	7	895
Amortisation of leasehold land	13	—	—	—	13
Gain on fair value of investment properties	46,524	—	—	—	46,524
Income tax expense	16,180	8,666	—	—	24,846
Depreciation of property, plant and equipment	1,108	345	470	36	1,959

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Six months ended 30 June 2011					
Reportable segment revenue	21,848	9,013	9,611	577	41,049
Reportable segment profit/(loss)	14,376	(7,681)	1,977	(288)	8,384
Other segment information:					
Interest income	97	255	48	3	403
Amortisation of leasehold land	7	—	—	—	7
Gain on fair value of investment properties	6,900	—	—	—	6,900
Income tax expense	2,282	816	—	—	3,098
Depreciation of property, plant and equipment	550	209	232	17	1,008

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2012					
Reportable segment revenue	28,647	132,919	10,282	4,303	176,151
Reportable segment profit	49,591	8,732	2,085	2,842	63,250
Other segment information:					
Interest income	113	77	5	2	197
Amortisation of leasehold land	7	—	—	—	7
Gain on fair value of investment properties	49,954	—	—	—	49,954
Income tax expense	14,645	10,362	—	—	25,007
Depreciation of property, plant and equipment	529	190	180	31	930

Segment assets and liabilities

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010					
Reportable segment assets	673,951	417,548	12,802	2,633	1,106,934
Reportable segment liabilities	(290,302)	(350,518)	(12,246)	(2,430)	(655,496)
Other segment information:					
Additions to non-current assets	48,841	509	112	22	49,484

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011					
Reportable segment assets	769,225	454,035	24,022	1,674	1,248,956
Reportable segment liabilities	(284,630)	(372,451)	(20,424)	(1,484)	(678,989)
Other segment information:					
Additions to non-current assets	30,625	451	163	12	31,251

	Property leasing	Property development	Building management services	Advisory and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2012					
Reportable segment assets	825,171	332,604	19,839	3,505	1,181,119
Reportable segment liabilities	(296,367)	(279,899)	(12,854)	(2,219)	(591,339)
Other segment information:					
Additions to non-current assets	2,350	29	73	12	2,464

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Consolidated Financial Information and Comparative Financial Information are as follows:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Reportable segment revenue	163,985	329,307	41,049	176,151
Inter-segment revenue elimination	(903)	(871)	(341)	(489)
Revenue	163,082	328,436	40,708	175,662
Reportable segment profit	36,987	114,682	8,384	63,250
Dividend income from available-for-sale financial assets	63	869	859	899
Gain on disposal of an associate	99	—	—	—
Share of loss of an associate	(51)	—	—	—
Unallocated income and expenses	(6,910)	(5,803)	(2,912)	(8,346)
Unallocated income tax expense	(5,659)	(31,454)	(262)	(9,156)
Profit for the year/period	24,529	78,294	6,069	46,647

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	1,106,934	1,248,956	1,181,119
Available-for-sale financial assets	7,102	7,537	7,595
Unallocated corporate assets	17,329	4,704	14,817
Total consolidated assets	1,131,365	1,261,197	1,203,531
Reportable segment liabilities	655,496	678,989	591,339
Dividend payables	6,164	4,223	2,455
Unallocated taxation liabilities	21,004	21,983	7,673
Unallocated deferred tax liabilities	115	8,216	5,960
Unallocated corporate liabilities	13,662	11,718	18,960
Total consolidated liabilities	696,441	725,129	626,387

Segment assets consist primarily of property, plant and equipment, investment properties, interests in leasehold land, inventories of properties, trade and other receivables and cash and cash equivalents.

Segment liabilities consist primarily of accruals of construction cost, advances received from the pre-sale of properties under development and properties held for sale, interest-bearing borrowings and taxation liabilities.

As chief operating decision-maker of the Group considers most of the Group's revenue and results are attributable to the market in the PRC, the Group's assets are substantially located inside the PRC, no geographical information is presented.

For the years ended 31 December 2010, 2011 and the six months ended 30 June 2012, the Group did not depend on any single customer under each of the segments.

6. REVENUE

Revenue from the Group's principal activities recognised during the Relevant Periods is as follows:

	Year ended 31 December		**Six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Building management income	16,515	17,399	9,270	9,918
Consultancy service income	3,533	1,284	577	4,303
Rental income of investment properties (note)	37,542	44,440	21,848	28,522
Sales of properties	105,492	265,313	9,013	132,919
	163,082	328,436	40,708	175,662

Note:

The Group has contingent rental income of investment properties of approximately HK$2,398,000 and HK$2,666,000 for the years ended 31 December 2010 and 2011 and approximately HK$1,111,000 (unaudited) and HK$1,321,000 for the six months ended 30 June 2011 and 2012. The contingent rental income of investment properties is calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

7. OTHER INCOME

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Bank interest income	491	895	403	197
Business support service income	240	80	80	—
Clerical service income	249	86	86	—
Dividend income from available-for-sale financial assets	63	869	859	899
Gain on exchange differences, net	1	—	—	—
Gain on disposals of property, plant and equipment	—	5,345	4,662	36
Gain on disposal of an associate	99	—	—	—
Government grant	57	338	—	184
Sundry income	359	252	124	210
	1,559	7,865	6,214	1,526

8. FINANCE COSTS

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Interest charges on:				
Bank borrowings wholly repayable within five years	7,474	6,937	3,562	566
Bank borrowings not wholly repayable within five years	3,581	4,503	2,165	2,274
Other borrowings wholly repayable within five years	—	688	—	1,899
Less: interest capitalised	(11,055)	(12,128)	(5,727)	(4,739)
	—	—	—	—

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the respective loan agreements. The interest charges on bank borrowings which contain a repayment on demand clause amounted to approximately HK$131,000, HK$118,000 and HK$55,000 for the years ended 31 December 2010, 2011 and the six months ended 30 June 2012 respectively.

9. PROFIT BEFORE INCOME TAX

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Profit before income tax is arrived at after charging/(crediting):				
Amortisation of interests in leasehold land	13	13	7	7
Auditors' remuneration	309	782	111	193
Cost of properties sold	76,140	170,400	7,393	102,148
Depreciation of property, plant and equipment	2,188	2,237	1,047	988
Donation	799	1,033	67	—
(Gain)/Loss on exchange differences, net	(1)	146	70	208
Gain on disposal of an associate (note)	(99)	—	—	—
Impairment loss on trade receivables	—	154	154	—
Loss/(Gain) on disposals of property, plant and equipment	8	(5,345)	(4,662)	(36)
Operating lease charges	5,072	5,779	2,867	2,612
Outgoings in respect of investment properties that generated rental income	4,336	4,754	2,034	2,512

Note:

On 30 December 2010, Yu Fung Real Estate entered into a share transfer agreement with Mr. Liu Yuan Qiang (劉元強), Mr. Huang Li Shan (黃立山) and Mr. Pan Guo Jian (潘國健). An aggregate of 60% registered capital in Guiping Yu Feng in the total sum of RMB4,800,000 which is equivalent to approximately HK$5,682,000 was transferred, as to 40% by Yu Feng Real Estate to Mr. Liu Yuan Qiang (劉元強) (11%) and Mr. Pun Guo Jin (潘國健) (29%), and as to 20% by Mr. Huang Li Shan (黃立山) to Mr. Pun Guo Jin (潘國健), the transferees are independent third parties, for cash at a total consideration of approximately RMB4,182,000 which is equivalent to approximately HK$4,950,000 (as to approximately RMB2,788,000 which is equivalent to approximately HK$3,300,000 to Yu Feng Real Estate and as to approximately RMB1,394,000 which is equivalent to approximately HK$1,650,000 to Mr. Huang Li Shan (黃立山)).

10. INCOME TAX EXPENSE

	Year ended 31 December		Six months ended 30 June	
	2010	2011	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Current income tax				
PRC corporate income tax	5,748	23,530	(81)	5,139
PRC land appreciation tax	5,683	13,888	527	7,275
PRC withholding income tax	6,183	—	—	6,188
	17,614	37,418	446	18,602
Deferred tax (note 27)				
PRC corporate income tax	12,786	12,836	2,064	12,766
PRC land appreciation tax	(671)	(1,878)	507	4,966
PRC withholding income tax	(6,272)	7,924	343	(2,171)
	5,843	18,882	2,914	15,561
Total income tax expense	23,457	56,300	3,360	34,163

Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the Relevant Periods.

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in the PRC from 1 January 2008 is 25%.

Under the notice of the State Administration Concerning the Opinions on the Implementation of the Relevant Taxation Policies of the Western Development ("the Notice"), Bai Yi Commercial, a subsidiary of the Group established in the PRC, is subject to income tax at the rate of 15% for the financial years from 1 January 2001 to 31 December 2010. According to 廣西壯族自治區人民政府關於促進廣西北部灣經濟區開放開發的若干政策規定的通知, Bai Yi Commercial which benefited from the Notice, is subject to the further exemption of certain PRC corporate income tax, and the corporate income tax rate applicable to Bai Yi Commercial is 9% for the year ended 31 December 2010. From 1 January 2011, the exemption has expired and the corporate income tax rate applicable to Bai Yi Commercial is 25% under the new CIT Law.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, the deferred tax assets and liabilities of the Group's subsidiaries operated in the PRC are calculated based on corporate income tax rate of 25%.

PRC land appreciation tax ("LAT")

Pursuant to the written notice for the LAT assessment issued by the local tax bureau dated 20 June 2012, WTS Real Estate is subject to LAT and the LAT is calculated at 5% to 7% of its sales of properties in accordance with the authorised taxation method.

PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new CIT Law issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

The income tax expense for the years/periods can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

Reconciliation between the income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		**Six months ended 30 June**	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Profit before income tax expense	47,986	134,594	9,429	80,810
Tax on profit before income tax, calculated at the rates applicable to profit in the tax jurisdiction concerned	12,584	33,351	2,085	20,853
Tax exemption	(963)	—	—	—
Tax effect of non-deductible expenses	974	1,648	461	535
Tax effect of non-taxable revenue	(24)	—	—	(26)
Effect of tax rate change	6,177	—	—	—
LAT deductible for calculation of income tax	(805)	(1,593)	(1,126)	(6,785)
LAT charges	5,012	12,010	1,034	12,241
Effect of withholding income tax at 10% on distributable profits of the Group's PRC subsidiaries	(89)	7,924	343	4,017
Others	591	2,960	563	3,328
Income tax expense	23,457	56,300	3,360	34,163

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the directors during the Relevant Periods were as follows:

Year ended 31 December 2010

	Fees	Salaries and benefits in kind	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Dr. Lee	—	4,147	—	4,147
Mrs. Lee	—	4,161	—	4,161
Dr. Elaine Eick	—	960	12	972
Mr. Cheng Bun	—	845	12	857
	—	10,113	24	10,137
Independent non-executive directors:				
Mr. Wong Chi Wai	—	—	—	—
Mr. Wong Tat Yau, Paul	—	—	—	—
Mr. Chan Chun Yee	—	—	—	—
	—	—	—	—
Total emoluments	—	10,113	24	10,137

Year ended 31 December 2011

	Fees	Salaries and benefits in kind	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Dr. Lee	—	4,372	—	4,372
Mrs. Lee	—	4,373	—	4,373
Dr. Elaine Eick	—	1,040	12	1,052
Mr. Cheng Bun	—	906	12	918
	—	10,691	24	10,715
Independent non- executive directors:				
Mr. Wong Chi Wai	—	—	—	—
Mr. Wong Tat Yau, Paul	—	—	—	—
Mr. Chan Chun Yee	—	—	—	—
	—	—	—	—
Total emoluments	—	10,691	24	10,715

Six months ended 30 June 2011 (unaudited)

	Fees	Salaries and benefits in kind	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Dr. Lee	—	2,151	—	2,151
Mrs. Lee	—	2,151	—	2,151
Dr. Elaine Eick	—	480	6	486
Mr. Cheng Bun	—	427	6	433
	—	5,209	12	5,221
Independent non-executive directors:				
Mr. Wong Chi Wai	—	—	—	—
Mr. Wong Tat Yau, Paul	—	—	—	—
Mr. Chan Chun Yee	—	—	—	—
	—	—	—	—
Total emoluments	—	5,209	12	5,221

Six months ended 30 June 2012

	Fees	Salaries and benefits in kind	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Dr. Lee	—	2,582	—	2,582
Mrs. Lee	—	2,582	—	2,582
Dr. Elaine Eick	—	480	6	486
Mr. Cheng Bun	—	459	6	465
	—	6,103	12	6,115
Independent non-executive directors:				
Mr. Wong Chi Wai	—	—	—	—
Mr. Wong Tat Yau, Paul	—	—	—	—
Mr. Chan Chun Yee	—	—	—	—
	—	—	—	—
Total emoluments	—	6,103	12	6,115

(b) **Five highest paid individuals**

The five highest paid individuals in the Group for the Relevant Periods, include four directors of the Company whose emoluments are included in the disclosures in note 11(a) above. The emoluments of the remaining one individual were as follows:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Salaries and benefits in kind	577	605	289	276
Retirement scheme contribution	12	12	6	6
	589	617	295	282

The above emoluments were within following bands:

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	No. of employee	*No. of employee*	*No. of employee (unaudited)*	*No. of employee*
Emolument bands				
Nil to HK$1,000,000	1	1	1	1

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the Relevant Periods.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		Six months ended 30 June	
	2010	**2011**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Wages and salaries	23,252	24,933	13,178	14,079
Retirement scheme contribution	3,182	3,979	2,081	1,739
Other benefits	1,678	1,471	798	603
	28,112	30,383	16,057	16,421

13. EARNINGS PER SHARE

The calculations of basic earnings per share for the years ended 31 December 2010, 2011 and the six months ended 30 June 2012 are based on the profit attributable to the owners of the Company of approximately HK$21,942,000, HK$70,373,000, and HK$40,822,000 respectively (Six months ended 30 June 2011 (unaudited): HK$5,438,000), and on the basis of 225,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed "Further information about the Company and its subsidiaries" in Appendix VI to the Prospectus, throughout the Relevant Periods.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvement	Furniture and fixtures	Plant and machinery	Motor vehicles	Yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010							
Cost	10,191	4,881	2,484	2,692	3,611	4,617	28,476
Accumulated depreciation	(1,581)	(1,471)	(1,214)	(2,220)	(2,346)	(4,463)	(13,295)
Net book amount	8,610	3,410	1,270	472	1,265	154	15,181
Year ended 31 December 2010							
Opening net book amount	8,610	3,410	1,270	472	1,265	154	15,181
Additions	—	1,517	572	70	474	—	2,633
Disposals	—	—	—	(15)	—	—	(15)
Depreciation	(282)	(838)	(592)	(59)	(355)	(154)	(2,280)
Exchange differences	11	118	45	21	50	—	245
Closing net book amount	8,339	4,207	1,295	489	1,434	—	15,764
At 31 December 2010 and 1 January 2011							
Cost	10,243	6,603	3,052	1,880	4,242	4,617	30,637
Accumulated depreciation	(1,904)	(2,396)	(1,757)	(1,391)	(2,808)	(4,617)	(14,873)
Net book amount	8,339	4,207	1,295	489	1,434	—	15,764
Year ended 31 December 2011							
Opening net book amount	8,339	4,207	1,295	489	1,434	—	15,764
Additions	—	—	624	106	72	—	802
Disposals	—	—	(1)	(58)	(58)	—	(117)
Transfer to investment properties (note 16)	(3,999)	—	—	—	—	—	(3,999)
Depreciation	(202)	(815)	(785)	(148)	(396)	—	(2,346)
Exchange differences	10	159	48	19	47	—	283
Closing net book amount	4,148	3,551	1,181	408	1,099	—	10,387
At 31 December 2011 and 1 January 2012							
Cost	6,299	6,882	3,883	1,663	4,422	—	23,149
Accumulated depreciation	(2,151)	(3,331)	(2,702)	(1,255)	(3,323)	—	(12,762)
Net book amount	4,148	3,551	1,181	408	1,099	—	10,387

	Leasehold land and buildings	Leasehold improvement	Furniture and fixtures	Plant and machinery	Motor vehicles	Yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2012							
Opening net book amount	4,148	3,551	1,181	408	1,099	—	10,387
Additions	—	—	184	39	—	—	223
Disposals	—	—	—	(5)	—	—	(5)
Depreciation	(88)	(397)	(300)	(61)	(185)	—	(1,031)
Exchange differences	(2)	(34)	(11)	(4)	(9)	—	(60)
Closing net book amount	4,058	3,120	1,054	377	905	—	9,514
At 30 June 2012							
Cost	6,285	6,812	4,033	1,298	4,380	—	22,808
Accumulated depreciation	(2,227)	(3,692)	(2,979)	(921)	(3,475)	—	(13,294)
Net book amount	4,058	3,120	1,054	377	905	—	9,514

The analysis of the net carrying amounts of leasehold land and buildings according to lease periods are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
In PRC:			
Leases of between 10 to 50 years	285	233	199
In Hong Kong:			
Leases of between 10 to 50 years	8,054	3,915	3,859

As at 31 December 2010, 2011 and 30 June 2012, bank borrowings are secured by property, plant and equipment with a carrying value of approximately HK$8,339,000, HK$3,915,000 and HK$3,859,000 respectively (note 26).

Depreciation charges have been included in:

	Year ended 31 December		Six months ended 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
- capitalised in inventories of properties	92	109	43
Consolidated statement of comprehensive income (note 9)			
- cost of sales	623	633	322
- administrative expenses	1,565	1,604	666
	2,188	2,237	988
	2,280	2,346	1,031

15. INTERESTS IN LEASEHOLD LAND

The interests in leasehold land represented prepaid operating payments and the movements in their net carrying amounts are analysed as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Opening net carrying amount	429	434	439
Amortisation	(13)	(13)	(7)
Exchange difference	18	18	(4)
Closing net carrying amount	434	439	428

The analysis of the net carrying amounts of interests in leasehold land according to lease periods are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
In PRC:			
Leases of between 10 to 50 years	434	439	428

As at 31 December 2010, the Group's bank borrowings are secured by interests in leasehold land with the carrying amount of approximately HK$434,000 (note 26). The Group has repaid the bank borrowings and the security has been released during the year ended 31 December 2011.

16. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at 1 January	484,032	603,045	715,092
Change in fair value of investment properties	30,775	46,524	49,954
Additions	46,873	30,474	2,251
Transfer from other receivables	27,039	—	—
Transfer to inventories of properties	(9,875)	—	—
Transfer from property, plant and equipment (note 14)	—	3,999	—
Revaluation surplus upon transfer of owner occupied properties to investment properties	—	3,701	—
Exchange difference	24,201	27,349	(7,449)
Carrying amount at 31 December/30 June	603,045	715,092	759,848

The carrying amounts of the Group's investment properties attributable to the properties without the relevant title certificates, were approximately HK$55,508,000, HK$62,407,000 and HK$3,322,000 as at 31 December 2010, 2011 and 30 June 2012 respectively. The Group has not obtained the land use rights certificates and building ownership certificates of these properties. The fair values of these properties were estimated assuming the Group had valid land use rights certificates and building ownership certificates of these properties and all land premium and related fees for the grant of certificates have been fully settled. The land premium and related fees for the grant of certificates are not significant. The Group has rented out and received rental income from these properties during the Relevant Periods. The application for the land use right certificates and building ownership certificates of these properties are in progress. As advised by the Company's PRC legal advisor, the Group has significant risks and rewards of ownership of these properties and is entitled to use and lease these properties notwithstanding the absence of title certificates. Further, subject to the Group complying with applicable PRC laws and regulations, there is no legal impediment for the Group to obtain the title certificates for these properties. As such, the control, significant risks and rewards of ownership of these properties were vested with the Group and the Group has recognised these properties as investment properties.

Investment properties were valued at 31 December 2010, 2011 and 30 June 2012 by independent, professional qualified valuers, DTZ Debenham Tie Leung International Property Advisers (Guangzhou) Co., Ltd. ("DTZ"), who have the relevant experience in the location and category of properties being valued. DTZ have used investment approach by capitalising the rental income derived from the existing tenancies with due provision for the revisionary income potential of the property interest, or where appropriate, direct comparison method by making reference to comparable sales transactions as available in the relevant market. The fair value gains were recognised in profit or loss for the Relevant Periods.

As at 31 December 2010, 2011 and 30 June 2012, bank and other borrowings are secured on investment properties with a carrying value of approximately HK$459,936,000, HK$489,888,000 and HK$339,808,000 respectively (note 26).

The Group's investment properties at their carrying amount are analysed as follows:

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
In PRC:			
Leases of between 10 to 50 years	603,045	707,392	751,348
In Hong Kong:			
Leases of between 10 to 50 years	—	7,700	8,500

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Equity investments stated at cost			
- Unlisted	7,102	7,537	7,595

The unlisted equity securities are measured at cost less impairment losses as they do not have quoted market prices in active markets and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group plans to hold these investments for the foreseeable future.

18. INVENTORIES OF PROPERTIES

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Properties under development	245,118	250,017	223,033
Properties held for sale	35,150	104,113	93,907
	280,268	354,130	316,940
Properties under development include:			
- cost of leasehold land	79,880	114,751	96,587
- construction costs and capitalised expenditure	155,249	124,912	116,120
- interests capitalised	9,989	10,354	10,326
	245,118	250,017	223,033

The properties under development and properties held for sale are all located in the PRC. The lease term for the leasehold land is 70 years.

The capitalisation rate of borrowing is approximately 3.36%, 2.68% and 2.10% for the years ended 31 December 2010, 2011 and for the six months ended 30 June 2012 respectively.

As at 31 December 2010, bank borrowings are secured on properties under development with a carrying value of approximately HK$75,847,000 (note 26). As at 31 December 2011, bank borrowings are secured on properties under development with a carrying value of approximately HK$24,939,000 and properties held for sales with a carrying value of approximately HK$18,907,000 (note 26). The Group has repaid the bank borrowings and the security has been released during the six months ended 30 June 2012.

19. TRADE RECEIVABLES

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	366	692	4,455
Less: Impairment loss recognised	—	(158)	(156)
Trade receivables, net	366	534	4,299

Trade receivables are mainly derived from rental income and building management fee income. Rental fee and building management fee income are paid in accordance with the terms of the rental contracts and building management contracts. As at 31 December 2010, 2011 and 30 June 2012, the fair values of trade receivables approximated to their carrying amounts.

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current and within 1 month	327	265	1,434
1-3 months	—	196	2,033
4-6 months	—	16	730
7-12 months	—	19	72
Over 12 months	39	38	30
	366	534	4,299

The ageing of trade receivables that were not impaired are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	—	—	—
Less than 1 month past due	327	265	1,434
1-3 months past due	—	196	2,033
4-6 months past due	—	16	730
7-12 months past due	—	19	72
Over 12 months past due	39	38	30
	366	534	4,299

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. Trade receivables that were past due but not impaired related to a number of tenants and customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The below table reconciles the impairment loss of trade receivables for the Relevant Periods.

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January	—	—	158
Impairment loss recognised	—	154	—
Exchange differences	—	4	(2)
As at 31 December/30 June	—	158	156

The Group recognised impairment loss on trade receivables on individual assessment based on the accounting policy stated in note 3.8.

The Group did not hold any collateral as security or other credit enhancements over the trade receivables, whether determined on an individual or collective basis.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The directors of the Company considered that the Group's fair values of deposits, prepayments and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. The Group's other receivables were neither past due nor impaired as at 31 December 2010, 2011 and 30 June 2012.

21. AMOUNTS DUE FROM/(TO) RELATED PARTIES/SHAREHOLDERS/DIRECTORS

The amounts due are unsecured, interest-free and repayable on demand.

Amounts due from related parties/shareholders/a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

	Notes	As at 1 January 2010	Maximum outstanding balance during the year	As at 31 December 2010	Maximum outstanding balance during the year	As at 31 December 2011	Maximum outstanding balance during the period	As at 30 June 2012
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Related parties:								
Leepark Properties Limited	(a)	46,821	46,821	—	—	—	—	—
Pharma Frontiers Limited	(b)	240	588	140	260	35	35	—
Mr. Cheng Bun	(c)	25,165	25,165	—	—	—	—	—
Mr. Cai Zi Qi (蔡梓麒)	(d)	—	6,051	6,051	6,318	—	—	—
Mr. He Hao (何好)	(e)	10,379	10,379	—	—	—	—	—
		82,605		6,191		35		—
Shareholders of the Company:								
Chosen Leader Limited		—	8	8	8	8	8	8
First Beijing International Limited		—	15	15	15	15	15	15
Ease Gain Holdings Limited		—	15	15	15	15	15	15
		—		38		38		38
Director:								
Dr. Lee		1	1	—	—	—	—	—
Mr. Cheng Bun		—	25,165	41	41	—	—	—
		1		41		—		—

Amounts due to a related party/directors are disclosed as follows:

	Notes	As at 31 December 2010 *HK$'000*	As at 31 December 2011 *HK$'000*	As at 30 June 2012 *HK$'000*
Related party:				
南寧鵬豐裝飾有限公司	(f)	2,362	—	—
Directors:				
Dr. Lee		1	1	—
Mrs. Lee		8,081	8,563	8,471
		8,082	8,564	8,471

(a) Dr. Lee and Mrs. Lee are the common directors of both Leepark Properties Limited and the Company.

(b) Dr. Elaine Eick, a director of the Company, has sole beneficial interest in Pharma Frontiers Limited.

(c) Mr. Cheng Bun is the director and senior management of certain group companies and the Company.

(d) Mr. Cai Zi Qi (蔡梓麒) is the director and senior management of certain subsidiaries of the Company.

(e) Mr. He Hao (何好) is the non-controlling shareholder of Bai Yi Commercial.

(f) 南寧鵬豐裝飾有限公司 is held by Mr. Cai Zi Qi (蔡梓麒) and Mr. He Hao (何好), who are the senior management of certain subsidiaries of the Company.

22. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and in hand	160,796	138,613	75,243
Less: Pledged bank deposits	(2,048)	(2,135)	(2,113)
Less: Restricted deposits	(8,171)	(6,260)	(4,743)
Cash and cash equivalents per the consolidated statement of cash flows	150,577	130,218	68,387

As at 31 December 2010, 2011 and 30 June 2012, included in bank and cash balances of the Group is approximately HK$153,132,000, HK$135,539,000 and HK$65,181,000 of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC respectively. RMB is not a freely convertible currency. Under the Regulations for Foreign Exchange Control of PRC and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Bank deposits have been pledged to secure bank borrowings (note 26). The deposit has maturity period of 1 month and is interest-bearing at approximately 0.36%, 0.5% and 0.5% per annum as at 31 December 2010, 2011 and 30 June 2012 respectively.

Restricted bank deposits included (i) bank deposits placed in designated bank accounts which can only be used for property maintenance and (ii) guaranteed deposits placed with banks in relation to mortgage facilities granted to the purchasers of the Group's properties.

23. TRADE PAYABLES

	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	21,591	10,355	5,761

The Group was granted by its suppliers and contractors credit periods ranging from 30 to 90 days. The ageing analysis of trade payables of the Group as at 31 December 2010, 2011 and 30 June 2012 is as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
0 — 30 days	—	3,380	344
31 — 90 days	—	3,039	1,054
91 — 180 days	—	434	19
Over 180 days	21,591	3,502	4,344
	21,591	10,355	5,761

All amounts due are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of their fair values.

24. DIVIDEND PAYABLES

On 31 December 2010, Bai Yi Commercial declared approximately HK$2,693,000 of dividend to the non-controlling shareholders. Leepark Holdings declared approximately HK$30,000,000 of dividend to Dr. Lee. Global Touch declared approximately HK$1,508,000 of dividend to First Beijing, Ease Gain and Chosen Leader.

On 31 December 2011 and 30 April 2012, Bai Yi Commercial declared dividend of approximately HK$604,000 and HK$123,000 to the non-controlling shareholders respectively.

25. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Accruals and other payables	20,674	20,118	28,425
Deposit received	22,563	27,693	27,697
Receipts in advance	9,489	15,576	15,957
	52,726	63,387	72,079

26. INTEREST-BEARING BORROWINGS

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current			
Bank loans, secured	25,533	64,770	12,628
Other loans, secured	—	9,872	9,771
Other loans, unsecured	—	30,850	30,535
	25,533	105,492	52,934
Non-current			
Bank loans, secured	136,648	48,152	44,976
Total borrowings	162,181	153,644	97,910

As at 31 December 2010, 2011 and 30 June 2012, the analysis of the carrying amount of the bank and other loans is as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Current			
Portion of bank and other loans due for repayment within one year	22,345	102,673	46,261
Portion of bank loans due for repayment after one year which contain repayment on demand clause	3,188	2,819	6,673
	25,533	105,492	52,934
Non-current			
Portion of bank loans due for repayment after one year	136,648	48,152	44,976
	162,181	153,644	97,910

As at 31 December 2010, 2011 and 30 June 2012, the Group's bank and other loans are repayable as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year or on demand	25,533	105,492	52,934
In the second year	90,748	5,294	5,618
In the third to fifth year	16,756	18,866	19,738
After the fifth year	29,144	23,992	19,620
	136,648	48,152	44,976
	162,181	153,644	97,910

The Group's bank and other loans are secured by legal charges over:

(a) certain of the Group's property, plant and equipment with carrying values of approximately HK$8,339,000, HK$3,915,000 and HK$3,859,000 (note 14) as at 31 December 2010, 2011 and 30 June 2012 respectively;

(b) certain of the Group's interests in leasehold land with carrying values of approximately HK$434,000 (note 15) as at 31 December 2010;

(c) certain of the Group's investment properties with carrying values of approximately HK$459,936,000, HK$489,888,000 and HK$339,808,000 (note 16) as at 31 December 2010, 2011 and 30 June 2012 respectively;

(d) certain of the Group's properties under development with carrying values of approximately HK$75,847,000 and HK$24,939,000 (note 18) as at 31 December 2010 and 2011 respectively;

(e) certain of the Group's properties held for sales with carrying values of approximately HK$18,907,000 (note 18) as at 31 December 2011 respectively;

(f) pledged bank deposits with carrying values of approximately HK$2,048,000, HK$2,135,000 and HK$2,113,000 (note 22) as at 31 December 2010, 2011 and 30 June 2012 respectively;

(g) assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties; and

(h) guarantees by Mrs. Lee and Dr. Elaine Eick, the directors of the Company as at 31 December 2010.

The effective interest rates of the Group's interest-bearing bank and other borrowings ranged from approximately 3.50% to 9.50%, 3.50% to 10.59% and 3.50% to 9.304% as at 31 December 2010, 2011 and 30 June 2012 respectively.

27. DEFERRED TAX ASSETS/LIABILITIES

The movements in the deferred tax assets/liabilities during the Relevant Periods are as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets			
As at 1 January	2,024	2,800	4,840
Recognised in profit or loss (note 10)	671	1,878	(4,812)
Exchange difference	105	162	(28)
As at 31 December/30 June	2,800	4,840	—
Deferred tax liabilities			
As at 1 January	126,393	138,406	166,118
Recognised in profit or loss (note 10)	6,514	20,760	10,749
Recognised in revaluation reserves	—	611	—
Exchange difference	5,499	6,341	(1,746)
As at 31 December/30 June	138,406	166,118	175,121

The components of deferred tax (assets)/liabilities and the movements during the Relevant Periods are as follows:

	Deferred tax (assets)/liabilities				
	LAT	**Revaluation of inventories of properties**	**Revaluation of investment properties**	**Withholding tax**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010	(2,024)	12,461	107,614	6,318	124,369
(Credit)/Charge to profit or loss	(671)	(1,917)	14,703	(6,272)	5,843
Transfer	—	1,145	(1,145)	—	—
Exchange differences	(105)	498	4,932	69	5,394
As at 31 December 2010 and 1 January 2011	(2,800)	12,187	126,104	115	135,606
(Credit)/Charge to profit or loss	(1,878)	(3,344)	16,180	7,924	18,882
Recognised in revaluation reserves	—	—	611	—	611
Exchange differences	(162)	443	5,721	177	6,179
As at 31 December 2011 and 1 January 2012	(4,840)	9,286	148,616	8,216	161,278
Charge/(Credit) to profit or loss	4,966	(1,879)	14,645	(2,171)	15,561
Exchange differences	28	(86)	(1,575)	(85)	(1,718)
As at 30 June 2012	154	7,321	161,686	5,960	175,121

Representing:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	138,406	166,118	175,121
Deferred tax assets	(2,800)	(4,840)	—
	135,606	161,278	175,121

28. SHARE CAPITAL

Group

The share capital balance as at 31 December 2010, 2011 and 30 June 2012 represented the issued and paid-up share capital of the Company, which was deemed to have been in issue throughout the Relevant Periods.

Company

The movements in the Company's issued ordinary share capital during the Relevant Periods are as follows:

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
As at 18 February 2011, 31 December 2011 and 30 June 2012	2,000,000	200
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
As at 18 February 2011	—	—
Issue of 1 ordinary share	1	—
As at 31 December 2011 and 30 June 2012	1	—

On 18 February 2011, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$200,000 divided into 2,000,000 shares having a par value of HK$0.10 each. Upon incorporation of the Company, 1 share was allotted and issued, nil paid.

29. RESERVES

Details of the movements in the reserves of the Group during the Relevant Periods are set out in the consolidated statements of changes in equity.

Statutory reserves

According to the relevant PRC laws, the subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

Exchange reserves

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

Capital reserves

Capital reserves represent the difference between issued share capital of the Company and the aggregate nominal value of the respective share capital/paid-in capital of the companies now comprising the Group and the capital reserves also resulted from the acquisition of additional interests in a subsidiary which represents the difference between the fair value of the considerations given and the carrying amount of the net assets attributable to the additional interests in a subsidiary acquired from non-controlling interests.

Revaluation reserves

Revaluation reserves arise from transfer of owner-occupied properties to investment properties.

30. OPERATING LEASE ARRANGEMENTS

a. **As lessor**

Group

As at 31 December 2010, 2011 and 30 June 2012, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the Group's properties as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	18,890	36,013	25,932
In the second to fifth years	28,655	39,432	40,725
After five years	2,998	3,248	3,289
	50,543	78,693	69,946

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to ten years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Certain leases (including contingent rental) are negotiated with reference to the level of business. The terms of the leases generally also require the tenants to pay security deposits.

Company

As at 31 December 2011 and 30 June 2012, the Company did not have any significant operating lease commitments.

b. **As lessee**

Group

As at 31 December 2010, 2011 and 30 June 2012, the Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of the Group's properties as follows:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	5,483	5,671	6,094
In the second to fifth years	20,598	21,962	21,680
After five years	49,866	48,116	45,215
	75,947	75,749	72,989

The Group leases properties under operating leases. The leases run for an initial period of one to twenty years, with an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases includes contingent rental.

Company

As at 31 December 2011 and 30 June 2012, the Company did not have any significant operating lease commitments.

31. CAPITAL COMMITMENTS

Group

Commitments for the construction of property under development and investment properties:

	As at 31 December		As at 30 June
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for			
- property under development	116,920	96,607	82,655
- investment properties	9,116	6,973	—
	126,036	103,580	82,655

Company

As at 31 December 2011 and 30 June 2012, the Company did not have any significant capital commitments.

32. FINANCIAL GUARANTEE CONTRACTS

Group

The face value of the financial guarantees issued by the Group is analysed as below:

	As at 31 December		**As at 30 June**
	2010	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	244,551	199,114	200,526

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantees period starts from the dates of grant of the mortgages. The directors of the Company are of the view that the fair value of financial guarantee is not significant.

Company

As at 31 December 2011 and 30 June 2012, the Company did not have any financial guarantee contracts.

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Consolidated Financial Information and Comparative Financial Information, during the Relevant Periods, the Group entered into the following transactions with related parties:

		Year ended 31 December		Six months ended 30 June	
Name of related parties	**Nature of transactions**	**2010**	**2011**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Director:					
Dr. Lee	Disposals of property, plant and equipment	—	4,680	4,680	—
Related company:					
Pharma Frontiers Limited	Business support service income	240	80	80	—
	Clerical service income	249	86	86	—
	Rental income	—	176	44	132

Dr. Elaine Eick, a director of the Company, has sole beneficial interest in Pharma Frontiers Limited. Pursuant to a lease agreement dated 17 October 2011 which was entered into between Leepark Holdings as landlord and Pharma Frontiers Limited as tenant, Leepark Holdings has leased a portion of its office to Pharma Frontiers Limited for a monthly rental of HK$22,000 from 1 May 2011 to 30 April 2014.

Key management of the Group are members of the board of directors. Key management personnel remuneration is set out in note 11.

34. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

34.1 **Categories of financial assets and financial liabilities**

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities.

	Group			Company	
	As at 31 December		As at 30 June	As at 30 June	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets					
Available-for-sale financial assets					
Unlisted equity securities	7,102	7,537	7,595	—	—
Loans and receivables:					
Trade receivables	366	534	4,299	—	—
Other receivables	23,456	8,632	8,903	—	—
Amounts due from related parties	6,191	35	—	—	—
Amounts due from shareholders	38	38	38	—	—
Amount due from a director	41	—	—	—	—
Cash and cash equivalents	160,796	138,613	75,243	—	—
	197,990	155,389	96,078	—	—
Financial liabilities					
Amortised cost:					
Trade payables	21,591	10,355	5,761	—	—
Dividend payables	6,164	4,223	2,455	—	—
Accruals and other payables	20,674	20,118	28,425	—	—
Amount due to a related party	2,362	—	—	—	—
Amounts due to directors	8,082	8,564	8,471	—	—
Interest-bearing borrowings	162,181	153,644	97,910	—	—
	221,054	196,904	143,022	—	—

34.2 **Foreign currency risk**

The Group's exposure to currency exchange rates is minimal as the Group entities hold majority of their assets and liabilities in their own functional currency. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

34.3 **Interest rate risk**

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings which bore interests at fixed and floating interest rates. Borrowings bearing variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. A reasonable change in interest rate in the next twelve months is assessed to result in immaterial change in the Group's profit for each of the Relevant Periods and retained earnings as at the end of each of the Relevant Periods. The Group adopts centralised treasury policy in cash and financial management and focuses on reducing the Group's overall interest expenses.

34.4 **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In this regard, directors of the Company consider the Group's credit risk is significantly reduced. There is no requirement for collaterals by the Group, except for leases which generally require the tenants to pay security deposits.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and the PRC.

The credit policies have been followed by the Group and the Company since prior years and are considered to have been effective in limiting the Group's and the Company's exposure to credit risk to a desirable level.

34.5 **Liquidity risk**

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and long term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2010, 2011 and 30 June 2012. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, interest-bearing borrowings subject to a repayment on demand clause which can be exercised at the bank's sole direction, are included in the "on demand" time band as the lenders have unconditional rights to call the loans with immediate effect. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

The contractual maturity analysis of the Group below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand	**Over 1 year but within 2 years**	**Over 2 years but within 5 years**	**Over 5 years**	**Total contractual amount**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010						
Trade payables	21,591	—	—	—	21,591	21,591
Dividend payables	6,164	—	—	—	6,164	6,164
Accruals and other payables	20,674	—	—	—	20,674	20,674
Amount due to a related party	2,362	—	—	—	2,362	2,362
Amounts due to directors	8,082	—	—	—	8,082	8,082
Other interest-bearing borrowings	27,145	97,208	25,381	33,856	183,590	158,637
Interest-bearing borrowings subject to a repayment on demand clause	3,544	—	—	—	3,544	3,544
	89,562	97,208	25,381	33,856	246,007	221,054

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total contractual amount	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2011						
Trade payables	10,355	—	—	—	10,355	10,355
Dividend payables	4,223	—	—	—	4,223	4,223
Accruals and other payables	20,118	—	—	—	20,118	20,118
Amounts due to directors	8,564	—	—	—	8,564	8,564
Other interest-bearing borrowings	110,114	9,206	27,619	27,242	174,181	150,456
Interest-bearing borrowings subject to a repayment on demand clause	3,188	—	—	—	3,188	3,188
	156,562	9,206	27,619	27,242	220,629	196,904
As at 30 June 2012						
Trade payables	5,761	—	—	—	5,761	5,761
Dividend payables	2,455	—	—	—	2,455	2,455
Accruals and other payables	28,425	—	—	—	28,425	28,425
Amounts due to directors	8,471	—	—	—	8,471	8,471
Other interest-bearing borrowings	50,688	8,936	26,809	21,596	108,029	90,410
Interest-bearing borrowings subject to a repayment on demand clause	7,500	—	—	—	7,500	7,500
	103,300	8,936	26,809	21,596	160,641	143,022

34.6 **Fair value measurements recognised in the consolidated statement of financial position**

The Group adopted the amendments to HKFRS 7 *Improving Disclosures about Financial Instruments* effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The following table presents financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The determination of which of the levels in the fair value hierarchy into which an asset or liability is categorised is based on the lowest level input that is significant to the fair value measurement of the instrument.

As at 31 December 2010, 2011 and 30 June 2012, the Group does not have any financial assets measured at fair value in the consolidated statement of financial position, therefore, no information regarding fair value hierarchy is presented.

35. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio of less than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's net debt to equity ratio at the reporting date was:

	Group		
	As at 31 December		As at 30 June
	2010	2011	2012
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a related party	2,362	—	—
Amounts due to directors	8,082	8,564	8,471
Interest-bearing borrowings	162,181	153,644	97,910
Less: Cash at bank and in hand	(160,796)	(138,613)	(75,243)
Net debt	11,829	23,595	31,138
Total equity	434,924	536,068	577,144
Net debt to equity ratio	3%	4%	5%

36. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Group after 30 June 2012.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group have been prepared in respect of any period subsequent to 30 June 2012.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Placing might have affected the net tangible assets of the Group attributable to the owners of the Company after the completion of the Placing.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group, prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing on the net tangible assets of the Group attributable to the owners of the Company as if the Placing had taken place on 30 June 2012. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of this hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Placing been completed on 30 June 2012 or at any future dates.

	Unadjusted audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2012	**Estimated net proceeds from the Placing**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company**	**Unaudited pro forma net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on Placing Price of HK$0.93 per Share	516,039	59,528	575,567	1.92
Based on Placing Price of HK$0.65 per Share	516,039	39,165	555,204	1.85

Notes:

1. The unadjusted audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2012 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Placing are based on the indicative Placing Price of HK$0.65 and HK$0.93 per Share respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Share which may be issued upon the exercise of Over-allotment Option or options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue but takes no account of any Shares falling to be issued pursuant to the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Further information about the Company and its subsidiaries" in Appendix VI to this prospectus.

4. The property interests of the Group as at 30 September 2012 were valued by DTZ Debenham Tie Leung Limited. Details of the valuation in respect of these property interests were set out in Appendix III to this prospectus.

   The revaluation surplus of the property interests under property, plant and equipment and interest in leasehold land of approximately HK$17,953,000 and inventories of properties of approximately HK$315,092,000 will not be included in the Group's financial statements for the year ending 31 December 2012. The Group's accounting policy is to state such property, plant and equipment and interest in leasehold land at cost less accumulated depreciation or amortisation and any impairment loss rather than at revalued amount, and such inventories of properties at the lower of cost and net realisable value.

   Had all the property interests been stated at such valuations, the additional annual depreciation and amortisation would be approximately HK$326,000.

5. The calculation of the unaudited pro forma adjusted net tangible assets has not taken into account of the capitalisation of loan amounted to approximately HK$7,471,000 as detailed in note 2 to the financial information under section II of the accountants' report in Appendix I to this prospectus.

   If the amount of loan capitalisation has been included in the above calculation, the unaudited pro forma adjusted net tangible assets per Share would have been increased to HK$1.88 and HK$1.94 based on Placing Prices of HK$0.65 and HK$ 0.93 per Share respectively.

6. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2012.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from reporting accountants of the Group, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

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30 November 2012

The Directors
South West Eco Development Limited
Haitong International Capital Limited

Dear Sirs

Accountants' report on the unaudited pro forma financial information of South West Eco Development Limited

We report on the unaudited pro forma financial information of South West Eco Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages II-1 to II-2 under the section headed "Unaudited pro forma adjusted net tangible assets" in Appendix II to the Company's prospectus dated 30 November 2012 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing (the "Placing"). The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Placing might have affected the relevant financial information presented. The basis of preparation of the unaudited pro forma financial information is set out under the section headed "Unaudited pro forma adjusted net tangible assets" in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the sole responsibility of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM 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.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment

Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we did not express any such audit or review assurance on the unaudited pro forma financial information.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial positions of the Group as at 30 June 2012 or any future dates.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the properties in Hong Kong and in the PRC as at 30 September 2012.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

30 November 2012

The Directors
South West Eco Development Limited
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Date of Valuations

In accordance with your instructions for us to value the properties in which South West Eco Development Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 September 2012.

Definition of Market Value

Our valuation of the properties represents the market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a 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 wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuations of the properties excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

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

In valuing the properties, we have complied with the requirements set out in Chapter 8 of the GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by GFE Law Office, the Group's legal advisor, are set out in the notes in the respective valuation certificate.

Method of Valuations

Regarding the properties in Group I, unless otherwise stated, we have used investment approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests, and crosschecked by direct comparison method by making reference to comparable sales transactions as available in the relevant market.

In respect of the property in Group II, we have been advised by the Group that the State-owned Land Use Rights Certificates and the Building Ownership Certificate of the properties have not been obtained yet and we have ascribed no commercial value to the property.

In valuing the properties in Groups IV, we have valued on the basis that each of these properties will be developed and completed in accordance with the Group's latest development proposals provided to us (if any). We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it had been completed at the date of valuation and no allowance were made for outstanding development costs.

We have attributed no commercial value to the property in Group V as the property is allocated land and cannot be freely transferred in the open market.

In valuing the properties in Group III, Group VI and Group VII, we have used direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market, or where appropriate, by investment approach by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

The properties in Group VIII have no commercial value mainly due to the lack of substantial profit rents.

Source of Information

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

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisor, GFE Law Office, in respect of the titles to the properties in the PRC. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking space, particulars of occupancy, development schemes, construction costs, site and floor areas, interest attributable to the Group and all other relevant matters.

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

Site Inspection

We have inspected the exterior and, wherever possible, the interior of each of the properties. The site inspection was carried out in the period from 24 October 2012 to 29 October 2012 by Mr. Andy He and Ms. Amy Ho. Mr. Andy He is a China Real Estate Appraiser of China and Ms. Amy Ho is a Chartered Surveyor. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency and Exchange Rate

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC. The exchange rate we adopted in our valuation is HK$1:RMB0.818, which was the approximate prevailing rate at the date of valuation.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 25 years' of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
Group I — Properties held by the Group for investment in the PRC				
1.	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	184,000,000	93.84	172,665,600
2.	Yu Feng High Street, front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1 and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	175,000,000	87.52	153,160,000
3.	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	2,400,000	87.52	2,100,480
4.	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	15,800,000	87.52	13,828,160

	Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
5.	No. 10 West Street, front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	18,400,000	87.52	16,103,680
6.	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	72,000,000	87.52	63,014,400
7.	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	21,000,000	87.52	18,379,200
8.	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	49,000,000	87.52	42,884,800
9.	The whole 1/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	5,200,000	87.52	4,551,040

	Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
10.	No. 99 and 99-1 Huaqiang Road; and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	3,000,000	87.52	2,625,600
11.	1/F of Block No.1 of No. 220-4 and No. 220-5; and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Xixiangtang District, Nanning, Guangxi Zhuang Autonomous District, the PRC	3,100,000	87.52	2,713,120
12.	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	5,600,000	87.52	4,901,120
13.	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	990,000	87.52	866,448
14.	Block Nos. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	842,000	87.52	736,918

	Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
15.	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	7,900,000	87.52	6,914,080
16.	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	No commercial value	87.52	No commercial value
17.	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	48,200,000	87.52	42,184,640
	Sub-total	**612,432,000**		**547,629,286**

Group II — Property contracted to be held by the Group for investment in the PRC

18.	4 retail units of 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	No commercial value	87.52	No commercial value
	Sub-total	**No commercial value**		**No commercial value**

Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
Group III — Property held by the Group for sale in the PRC			
19. The unsold portion of Fond England Block Nos. 1, 5, 8, 9, 11, 12, 13, 15, 16, 17, 18 retail units, basement car park, Nos. 1 and 2, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	196,000,000	93.84	183,926,400
Group IV — Properties held by the Group under development in the PRC			
20. Block No. 10 of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	110,000,000	93.84	103,224,000
21. Li Yuan Project, No. 128 Daxue Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	180,000,000	87.52	157,536,000
Sub-total	**290,000,000**		**260,760,000**

Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
Group V — Other parcel of land held by the Group in the PRC			
22. 2 plots of allocation land for residential use, No. 14 Xixiangtang Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	No commercial value	87.52	No commercial value
Sub-total	**No commercial value**		**No commercial value**
Group VI — Property held by the Group for occupation in the PRC			
23. 2/F to 6/F of No. 11, 13 Xinmin Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	11,200,000	87.52	9,802,240
Group VII — Property held by the Group for occupation in Hong Kong			
24. Office No. 3517 on 35th Floor, Wu Chung House, No. 213 Queen's Road East, Wanchai, Hong Kong.	13,900,000	100	13,900,000
	25,100,000		**23,702,240**

Property	Market Value in existing state as at 30 September 2012 *RMB*	Interest attributable to the Group *%*	Market Value in existing state attributable to the Group as at 30 September 2012 *RMB*
Group VIII — Properties leased and occupied by the Group in the PRC			
25. 1/F, 2/F and basement of composite building, known as International Kitchen Supplies Centre, No. 32 Gucheng Road, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	No commercial value	87.52	No commercial value
26. 11 retail units on 1/F of Guomao Centre, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	No commercial value	87.52	No commercial value
Sub-total	**No commercial value**		**No commercial value**
Total	**1,123,532,000**		**1,016,017,926**

VALUATION CERTIFICATE

Group I — Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
1.	8 retail units on 1/F, 1 retail unit on 2/F, 1 office unit on 7/F and 100 car parking spaces in the basement, Yu Feng Plaza, No. 1 Xiguan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 9 retail units, 1 office unit and 100 car parking spaces completed in 2007. Yu Feng Plaza is a composite development with a total gross floor area of 39,351.83 sq.m.. The property is located at Xiguan Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial, office and car park use. The property has a total gross floor area of 8,223.49 sq.m. with details as follows: **Use** — **Gross Floor Area** *(sq.m.)* Retail — 589.30 Non-residential (retail) — 2,009.16 Office — 1,300.70 Car parking space (100 lots) — 4,324.33 Total — 8,223.49 The land use rights of the property have been granted for urban composite residential and commercial uses due to expire on 31 March 2074.	As at the date of valuation, the property was leased to various independent third parties with a monthly rental of approximately RMB900,092 the longest lease term due to expire on 31 October 2017.	184,000,000 (93.84% interest attributable to the Group: 172,665,600)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2010)538767 issued by People's Government of Nanning dated 26 August 2010, the land use rights of the property with a total site area of 2,888.52 sq.m. have been granted to 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) for urban composite residential use and commercial use due to expire on 31 March 2074.

(2) According to 14 copies of Building Ownership Certificate issued by Nanning Municipal Housing Administrative Bureau, the building ownership of the property comprising a total gross floor area of 8,223.49 sq.m. has been vested in 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) with details as follows:

Nos.	Issue date	Location	Gross floor area *(sq.m.)*
01893412	2009-8-27	B4 of Yu Feng Plaza	1,481.24
01893421	2009-8-27	B3 of Yu Feng Plaza	1,293.70
01893410	2009-8-27	B2 of Yu Feng Plaza	1,549.39
01893400	2009-8-27	B1 of Yu Feng Plaza	2,009.16
01893368	2009-8-27	Retail unit No.1, 1/F of Yu Feng Plaza	76.44
01893374	2009-8-27	Retail unit No.2, 1/F of Yu Feng Plaza	52.21
01893378	2009-8-27	Retail unit No.3, 1/F of Yu Feng Plaza	52.17
01893381	2009-8-27	Retail unit No.6, 1/F of Yu Feng Plaza	59.76
01893384	2009-8-27	Retail unit No.7, 1/F of Yu Feng Plaza	61.36
01893389	2009-8-27	Retail unit No.31, 1/F of Yu Feng Plaza	49.42
01893392	2009-8-27	Retail unit No.32, 1/F of Yu Feng Plaza	84.9
01893369	2009-8-27	Retail unit No.33, 1/F of Yu Feng Plaza	78.92
01893396	2009-8-27	Retail unit No.8, 2/F of Yu Feng Plaza	74.12
01846858	2009-3-30	Whole floor of 7/F of Yu Feng Plaza	1,300.70
			8,223.49

(3) According to Business Licence No. 450100400004402, 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) was established as a limited company on 27 July 1993 with a registered capital of RMB33,544,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The property under the State-owned Land Use Rights Certificate No. (2010)538767 with a site area of 2,888.52 sq.m. and the Building Ownership Certificate in Note (2) above except Nos. 1893412, 1893421, 1893410 and 1893400 with a total gross floor area of 6,333.49 sq.m. is subject to a mortgage in favour of Wing Hang Bank (China) Ltd, Guangzhou Branch for a loan with the security term from 21 October 2009 to 21 October 2019. Under such mortgage contract, 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited) is not entitled to lease, transfer, mortgage and dispose of the land use rights of the property without prior approval from the mortgagee;

(ii) The State-owned Land Use Rights Certificate and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(iii) The property, comprising a site area of 2,888.52 sq.m. and a gross floor area of 8,223.49 sq.m. has been vested in 南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited);

(iv) 南寧裕豐房地產開發有限公司(Nanning Yu Feng Real Estate Development Company Limited) is the sole legal owner of the property;

(v) Except the portion of the property which is subject to a mortgage 南寧裕豐房地產開發有限公司(Nanning Yu Feng Real Estate Development Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(vi) 南寧裕豐房地產開發有限公司(Nanning Yu Feng Real Estate Development Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to approximately 93.84% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
2.	Yu Feng High Street, front yard of No. 107, Room No.1 on 1/F and 2/F of No.107-1, and No. 113 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises retail units with a total gross floor area of 8,047.61 sq.m. completed in 1988. The property is located at Minsheng Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. Portion of the property was renovated as a shopping mall and the renovation work was completed in October 2011. The land use rights of the property have been granted for a term of 40 years. (see Note (1))	As at the date of valuation, the innovated portion of the property was leased to 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited), which is the subsidiary of the Group at a monthly rental of RMB164,450 due to expire on 30 June 2020. The leasee sublet various units of the property to various independent third parties at a total monthly rental of approximately RMB435,000. Portion of the property was directly leased from the owner to 2 independent third parties at a total monthly rental of approximately RMB213,333 and the latest expiry date is 4 August 2015. The remaining portion of the property was vacant.	175,000,000 (87.52% interest attributable to the Group: 153,160,000)

Notes:

(1) According to 2 copies of State-owned Land Use Rights Certificate issued by People's Government of Nanning, the land use rights of the property comprising a total site area of 3,550.08 sq.m., have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) with details as follows:

Certificate Nos.	**Date of Issue**	**Land use**	**Location**	**Land use term**	**Site area** *(sq.m.)*
(2004)426963	2004-7-16	Commercial	No. 107 and No. 107-1, Minsheng Road	due to expire on 31 May 2044	276.82
(2004)426916	2004-8-13	Commercial	No. 113 and No. 107-1, Minsheng Road	due to expire on 25 February 2044	3,273.26
					3,550.08

(2) According to 2 copies of Building Ownership Certificate issued by Zengcheng Municipal Land Resources and Housing Administrative Bureau, the building ownership of the property comprising a total gross floor area of 8,047.61 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) with details as follows:

Certificate Nos.	**Date of issue**	**Location**	**Gross floor area** *(sq.m.)*
01484695	2005-4-4	Front yard of No. 107, Room No. 1 on 1/F and 2/F of No. 107-1, Minsheng Road, Nanning	563.68
02218329	2012-5-11	No. 113 Minsheng Road, Xingning District	7,483.93
			8,047.61

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The property under the Building Ownership Certificate No. 01484695 with a total gross floor area of 563.68 sq.m. is subject to a mortgage in favour of an individual chargee who is designated by the lender, 百色右江餐旅有限公司 (Bai Se You Jiang Food and Tourism Company Limited);

(ii) The State-owned Land Use Rights Certificates and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(iii) The property, comprising a site area of 3,550.08 sq.m. and a gross floor area of 8,047.61 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(vi) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
3.	Room No. 1 and 2 on 1/F, No. 47 Xingning Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 35.83 sq.m. completed in 1960. The property is located at Xingning Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 31 May 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB7,700 and the lease term due to expire on 28 February 2015.	2,400,000 (87.52% interest attributable to the Group: 2,100,480)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426969 issued by People's Government of Nanning dated 16 July 2004, the land use rights of the property with a total site area of 9.91 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 31 May 2044.

(2) According to the Building Ownership Certificate No. 01483669 issued by Nanning Municipal Housing Administrative Bureau dated 21 March 2005, the building ownership of the property comprising a total gross floor area of 35.83 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 9.91 sq.m. and a gross floor area of 35.83 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
4.	1/F and 2/F of No. 57-61 and Room No. 1, 2 and 3 on 1/F and Room No. 1 on 2/F of No. 3 Xiyili, Xingning Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 2 retail units with a total gross floor area of 346.74 sq.m. completed in 1982. The property is located at Xingning Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 10 July 2044.	As at the date of valuation, the property was leased to 2 independent third parties with a monthly rental of approximately RMB67,500 and the latest expiry date is 14 June 2015.	15,800,000 (87.52% interest attributable to the Group: 13,828,160)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426961 issued by People's Government of Nanning dated 16 July 2004, the land use rights of the property with a total site area of 91.59 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 10 July 2044.

(2) According to 2 copies Building Ownership Certificate No. 01483667 and 01483665 issued by Nanning Municipal Housing Administrative Bureau both dated 21 March 2005, the building ownership of the property comprising a total gross floor area of 346.74 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 91.59 sq.m. and a gross floor area of 346.74 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
5.	No. 10 West Street, front yard and back yard of No. 10 Xingning Xi Street, Xingning District, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit and 1 office building with a total gross floor area of 2,187.73 sq.m. completed in 1956 and 1977 respectively. The property is located at Xingning Xi Street, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial and office use. The land use rights of the retail unit have been granted for a term of 40 years for commercial use due to expire on 25 February 2044. The land use rights of the office building have been granted for a term of 40 years for office use due to expire on 6 September 2044.	As at the date of valuation, the property was leased to another subsidiary of the Group, 南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Company Limited) for a term of 11 years with a monthly rental of RMB23,000 due to expire on 28 March 2021, and portion of the property was sub-lease to three independent third parties with a monthly rental of approximately RMB56,653 due to expire on 27 March 2021.	18,400,000 (87.52% interest attributable to the Group: 16,103,680)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426965 issued by People's Government of Nanning dated 16 July 2004, the land use rights of the property with a total site area of 104.72 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 25 February 2044.

According to the State-owned Land Use Rights Certificate No. (2005) 428759 issued by People's Government of Nanning dated 27 January 2005, the land use rights of the property with a total site area of 426.40 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for office use due to expire on 6 September 2044.

(2) According to the Building Ownership Certificate No. 01970251 issued by Nanning Municipal Housing Administrative Bureau dated 8 April 2010, the building ownership of the property comprising a total gross floor area of 238.06 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

According to the Building Ownership Certificate No. 01989319 issued by Nanning Municipal Housing Administrative Bureau dated 3 June 2010, the building ownership of the property comprising a total gross floor area of 1,949.67 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 531.12 sq.m. and a gross floor area of 2,187.73 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
6.	1/F of No. 119, Xingning Road; and Room No. 1 and 2 on 1/F of No. 66, Minsheng Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 2 retail units with a total gross floor area of 478.42 sq.m. completed in 1956. The property is located at the intersection of Xingning Road and Xingning Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 31 August 2044.	As at the date of valuation, advised by the Group the property was vacant due to a 4-month decoration work. Also advised by the Group, once the decoration work has been completed, the property would be leased to 4 independent third parties with a monthly rent of approximately RMB418,000 and the latest expiry date is 20 May 2015.	72,000,000 (87.52% interest attributable to the Group: 63,014,400)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2005) 428749 issued by People's Government of Nanning dated 2 February 2005, the land use rights of the property with a total site area of 173.90 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 31 August 2044.

(2) According to the Building Ownership Certificate No. 01953115 and 01484683 issued by Nanning Municipal Housing Administrative Bureau dated 5 February 2010 and 4 April 2005 respectively, the building ownership of the property comprising a total gross floor area of 478.42 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The property under the State-owned Land Use Rights Certificate No. (2005) 428749 with a site area of 173.90 sq.m. and the Building Ownership Certificate No. 01953115 and 01484683 with a total gross floor area of 478.42 sq.m. is subject to a mortgage in favour of Wing Hang Bank (China) Ltd for a loan with the security term from 21 October 2009 to 21 October 2019. Under such mortgage contract, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is not entitled to lease, transfer, mortgage and dispose of the land use rights of the property without prior approval from the mortgagee;

(ii) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(iii) The property, comprising a site area of 173.90 sq.m. and a gross floor area of 478.42 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(v) Except the portion of the property which is subject to a mortgage, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(vi) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
7.	Room No. 1 to 7 on 1/F and Room No. 1 to 5 on 2/F of No. 61 Chaoyang Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 862.72 sq.m. completed in 1965. The property is located at the Chaoyang Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 16 April 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB40,000 and the lease term due to expire on 30 September 2013.	21,000,000 (87.52% interest attributable to the Group: 18,379,200)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426967 issued by People's Government of Nanning dated 16 July 2004, the land use rights of the property with a total site area of 289.41 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 16 April 2044.

(2) According to the Building Ownership Certificate No. 01483660 issued by Nanning Municipal Housing Administrative Bureau dated 21 March 2005, the building ownership of the property comprising a total gross floor area of 862.72 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

As advised by the Group, the property comprises portion of the development with a gross floor area of approximately 250 sq m as stated in the above Building Ownership Certificate.

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 289.41 sq.m. and a gross floor area of 862.72 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
8.	The whole of 1/F and 2/F of No. 78 Chaoyang Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 2,236.50 sq.m. completed in 1973. The property is located at the Chaoyang Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 25 February 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB89,326 and the lease term due to expire on 22 March 2013.	49,000,000 (87.52% interest attributable to the Group: 42,884,800)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426917 issued by People's Government of Nanning dated 16 July 2004, the land use rights of the property with a total site area of 541.80 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 25 February 2044.

(2) According to the Building Ownership Certificate No. 01536983 issued by Nanning Municipal Housing Administrative Bureau dated 7 April 2006, the building ownership of the property comprising a total gross floor area of 2,236.50 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 541.80 sq.m. and a gross floor area of 2,236.50 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
9.	The whole 1/F of No. 11, 13 Xinmin Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 250.00 sq.m. completed in 1990. The property is located at the Xinmin Road, Qingxiu District in Nanning, which is in urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 6 September 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB27,000 and the lease term due to expire on 19 June 2014.	5,200,000 (87.52% interest attributable to the Group: 4,551,040)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2005) 428748 issued by People's Government of Nanning dated 4 February 2005, the land use rights of the property with a total site area of 298.55 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 6 September 2044.

(2) According to the Building Ownership Certificate No. 01504105 issued by Nanning Municipal Housing Administrative Bureau dated 18 August 2005, the building ownership of the property comprising a total gross floor area of 1,633.96 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

As advised by the Group, the property comprises portion of the development with a gross floor area of approximately 250 sq m as stated in the above Building Ownership Certificate.

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 298.55 sq.m. and a gross floor area of 1,633.96 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
10.	No. 99 and 99-1 Huaqiang Road; and Room No. 1 on 1/F of No. 1 Huaxi Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises 2 retail units with a total gross floor area of 209.55 sq.m. completed in 1970. The property is located at the Huaqiang Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 22 April 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB13,000 and the lease term due to expire on 10 September 2015.	3,000,000 (87.52% interest attributable to the Group: 2,625,600)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426915 issued by People's Government of Nanning dated 8 July 2004, the land use rights of the property with a total site area of 110.49 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 22 April 2044.

(2) According to the Building Ownership Certificate No. 01479056 and 01479073 issued by Nanning Municipal Housing Administrative Bureau both dated 24 February 2005, the building ownership of the property comprising a total gross floor area of 209.55 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 110.49 sq.m. and a gross floor area of 209.55 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
11.	1/F of Block No.1 of No. 220-4 and No. 220-5; and the whole of Block No. 2 of No. 220-4 and No. 220-5 Mingxiu Dong Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 2 retail units with a total gross floor area of 217.31 sq.m. completed in 1960. The property is located at the Mingxiu Dong Road, Xixiangtang District in Nanning, which is in urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 25 February 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB6,600 and the lease term due to expire on 3 April 2015.	3,100,000 (87.52% interest attributable to the Group: 2,713,120)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2010) 526069 and (2010) 526840 issued by People's Government of Nanning dated 18 May 2010 and 25 May 2010 respectively, the land use rights of the property with a total site area of 369.22 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use and both due to expire on 25 February 2044.

(2) According to the Building Ownership Certificate No. 01483656 and 01483658 issued by Nanning Municipal Housing Administrative Bureau both dated 21 March 2005, the building ownership of the property comprising a total gross floor area of 217.31 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 369.22 sq.m. and a gross floor area of 217.31 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
12.	1/F of Block No. 1 and Block No. 2 and 3 of No. 218-9 Xinyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 3 retail units with a total gross floor area of 381.13 sq.m. completed in 1966. The property is located at the Xinyang Road, Xixiangtang District in Nanning, which is in urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use. (see Note (1))	As at the date of valuation, the property was leased to 2 independent third parties with a monthly rental of approximately RMB19,600 and the latest lease term due to expire on 22 October 2013.	5,600,000 (87.52% interest attributable to the Group: 4,901,120)

Notes:

(1) According to the State-owned Land Use Rights Certificate Nos. (2004) 426914 and (2005) 428766 issued by People's Government of Nanning dated 8 July 2004 and 27 January 2005 respectively, the land use rights of the property with a total site area of 200.16 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 20 February 2044 and 6 September 2044 respectively.

(2) According to 3 copies of Building Ownership Certificate issued by Nanning Municipal Housing Administrative Bureau, the building ownership of the property comprising a total gross floor area of 381.13 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) with details as follows:

Nos.	Issue date	Location	Gross floor area *(sq.m.)*
01479038	2005-2-24	The 1/F of Block No. 1 of No. 218-9 Xinyang Road	163.17
01479062	2005-2-24	Block No. 2 of No. 218-9 Xinyang Road	99.58
01479058	2005-2-24	Block No. 3 of No. 218-9 Xinyang Road	118.38
			381.13

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information :

(i) The State-owned Land Use Rights Certificates and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 200.16 sq.m. and a gross floor area of 381.13 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
13.	No. 80 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 209.92 sq.m. completed in 1960. The property is located at the Changgang Road, Qingxiu District in Nanning, which is in sub urban area of Nanning. Developments nearby are mainly residential and industrial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 20 February 2044.	As at the date of valuation, the property was leased to an independent third party with a monthly rental of approximately RMB1,200 and the lease term due to expire on 7 November 2012.	990,000 (87.52% interest attributable to the Group: 866,448)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 426962 issued by People's Government of Nanning dated 16 July 2004, the land use rights of the property with a total site area of 212.89 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 20 February 2044.

(2) According to the Building Ownership Certificate No. 01479067 issued by Nanning Municipal Housing Administrative Bureau dated 24 February 2005, the building ownership of the property comprising a total gross floor area of 209.92 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 212.89 sq.m. and a gross floor area of 209.92 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
14.	Block Nos. 1 to 4 of No. 80-1 Changgang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 4 industrial buildings with a total gross floor area of 1,140.76 sq.m. completed in 1976. The property is located at the Changgang Road, Qingxiu District in Nanning, which is in sub urban area of Nanning. Developments nearby are mainly residential and industrial developments. According to the information provided by the Group, the property is for industrial use. The land use rights of the property have been granted for a term of 50 years for industrial use due to expire on 16 November 2054.	As at the date of valuation, the property was vacant.	842,000 (87.52% interest attributable to the Group: 736,918)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2005) 428747 issued by People's Government of Nanning dated 4 February 2005, the land use rights of the property with a total site area of 2,100.74 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for industrial use and due to expire on 16 November 2054.

(2) According to 4 copies of Building Ownership Certificate issued by Nanning Municipal Housing Administrative Bureau, the building ownership of the property comprising a total gross floor area of 1,140.76 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) with details as follows:

Nos.	Issue date	Location	Gross floor area *(sq.m.)*
01484685	2005-4-4	Block No. 1 of No. 80-1 Changgang Road	47.61
01488446	2005-4-27	Block No. 2 of No. 80-1 Changgang Road	166.65
01484688	2005-4-4	Block No. 3 of No. 80-1 Changgang Road	614.02
01484692	2005-4-4	Block No. 4 of No. 80-1 Changgang Road	312.48
			1,140.76

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 2,100.74 sq.m. and a gross floor area of 1,140.76 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
15.	No. 128 Daxue Dong Road and Block No. 1 of No. 1 Liyuan Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 509.50 sq.m. completed in 1983. The property is located at the Daxue Dong Road, Xixiangtang District in Nanning, which is in urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 7 September 7 2044.	As at the date of valuation, the property was vacant.	7,900,000 (87.52% interest attributable to the Group: 6,914,080)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2005) 428769 issued by People's Government of Nanning dated 27 January 2005, the land use rights of the property with a total site area of 137.58 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 7 September 2044.

(2) According to the Building Ownership Certificate No. 01488438 issued by Nanning Municipal Housing Administrative Bureau dated 27 April 2005, the building ownership of the property comprising a total gross floor area of 509.50 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

  (i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

  (ii) The property, comprising a site area of 137.58 sq.m. and a gross floor area of 509.50 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

  (iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
16.	No. 117 Gonghe Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit with a total gross floor area of 161.13 sq.m. completed in 1960. The property is located at the Gonghe Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been allocated for commercial use.	As at the date of valuation, the property was temporarily leased to an independent third party with a monthly rental of RMB1,650.	No commercial value

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2010) 518938 issued by People's Government of Nanning dated 12 March 2010, the land use rights of the property with a total site area of 63.08 sq.m. have been allocated to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use.

According to the remark stated in State-owned Land Use Rights Certificate No. (2010) 518938, the property is on the site which is planned to be built a road on it and is temporarily used by the Group. The site will be taken back without compensation for the launch of the road construction. As at the Latest Practicable Date, the Group has not received any notification from the relevant local authority as to the date at which the road construction would commence.

(2) According to the Building Ownership Certificate No. 01488391 issued by Nanning Municipal Housing Administrative Bureau dated 27 April 2005, the building ownership of the property comprising a total gross floor area of 161.13 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

(3) We have attributed no commercial value to the property as the subject site is allocated land and cannot be freely transferred in the open market.

(4) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(5) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The property cannot be transferred, leased and mortgaged unless the approval from relevant authorities has been obtained;

(ii) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(iii) The property, comprising a site area of 63.08 sq.m. and a gross floor area of 161.13 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the rights to use the property temporarily;

(v) The local government has the rights to take back the property at any time without compensation; and

(vi) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(6) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
17.	Retail unit No. 23 and residential unit Nos. 701, 702, 703, 739, 750, 751, 752 and 753 of Xinan Shangdu, No. 29 Chaoyang Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 1 retail unit and 8 residential units of Xinan Shangdu completed in 2010. Xinan Shangdu is a composite development with a total site area of approximately 80,000 sq.m. and a total gross floor area of approximately 160,000 sq.m. The property is located at the Chaoyang Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial and residential use. The property has a total gross floor area of 879.21 sq.m. with details as follows: **Use** / **Gross Floor Area** *(sq.m.)* Retail 294.15 Residential 585.06 Total 879.21	As at the date of valuation, the property was leased to 2 independent third parties with a total monthly rental of approximately RMB316,200 and the lease term due to expire on 9 December 2013.	48,200,000 87.52% interest attributable to the Group 42,184,640)

Notes:

(1) According to 9 copies of Building Ownership Certificate issued by Bureau of Housing Management of Nanning Municipality on 7 June 2012, the building ownership of the property comprising a total gross floor area of 879.21 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) with details summarized as follows:

Certificate Nos.	Address	Use	Gross floor area *(sq.m.)*
2225203	Retail unit No. 23, 1/F of Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Retail	294.15
2225211	Room No. 701, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	84.19
2225204	Room No. 702, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	79.20
2225205	Room No. 703, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	87.12
2225210	Room No. 739, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	64.41
2225206	Room No. 750, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	74.23
2225207	Room No. 751, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	58.46
2225208	Room No. 752, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	58.46
2225209	Room No. 753, Xinan Shangdu, No. 29 Chaoyang Road, Xingning District	Residential	78.99
	Total		879.21

(2) According to the Delivery Letter No. 0028 entered into between 南寧市皇家房地產有限責任公司 (Nanning Huangjia Real Estate Ltd.) (Party A) and 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) (Party B), retail unit of the property (namely No. 23) was delivered to Party B on 10 May 2010.

According to the Delivery Letter No. 026 entered into between 南寧市皇家房地產有限責任公司 (Nanning Huangjia Real Estate Ltd.) (Party A) and 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) (Party B), residential units of the property (namely No. 701, 702, 703, 739, 750, 751, 752 and 753) were delivered to Party B on 8 November 2010.

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The Building Ownership Certificates are valid, legal and enforceable under the PRC law;

(ii) The building ownership of the property comprising a total gross floor area of 879.21 sq.m. have been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited); and the land use rights and the building ownership of the property has been transferred to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited). Advised by the Group, the application for the Land Use Right Certificate for the property is in progress and the Group's PRC Legal Advisor stated that there is no legal impediment to obtain the Land Use Rights Certificate;

(iii) The Resettlement Agreement of Nanning Urban House is valid, legal and enforceable under the PRC laws;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is entitled to possess the property and it would be the responsibility of 南寧市皇家房地產有限責任公司 (Nanning Huangjia Real Estate Ltd.) to assist 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) in obtaining the title documents;

(v) The property had been delivered to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(vi) Upon the property has been delivered, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use and lease the property; and

(vii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Building Ownership Certificate	Yes
Resettlement Agreement of Nanning Urban House	Yes
Delivery Letter	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II — Property contracted to be held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
18.	4 retail units of 1/F of Lvdu Shangsha, No. 131 Minsheng Road, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 4 retail units of 1/F of Lvdu Shangsha completed in 2010. Lvdu Shangsha is a composite development with a total gross floor area of approximately 82,700 sq.m. The property is located at the Minsheng Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The property has a total gross floor area of 94.87 sq.m.	As at the date of valuation, the retail unit of the property was leased to an independent third party with a monthly rental of approximately RMB20,900 and the lease term due to expire on 8 May 2013.	No commercial value

Notes:

(1) We have been advised by the Group that the State-owned Land Use Rights Certificate and the Building Ownership Certificate of the property have not been obtained yet and we have ascribed no commercial value to the property. Had valid Stated-owned Land Use Rights Certificate and Building Ownership Certificate been issued to the property, all land premium and related fees for the grant of the certificate been fully settled, the market value of the property in its existing state as at 30 September 2012 would be RMB2,718,000.

(2) According to the Resettlement Agreement entered into between 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) (Party A) and 南寧百益實業有限公司 (Nanning Bai Yi Industrial Enterprise Limited) (Party B) dated 31 October 2002, Party B agreed that 4 retail units with a gross floor area of 127.00 sq.m. on the 1/F of Lvdu Shangsha shall be assigned by Party A to Party B after redevelopment of the original buildings.

(3) According to the Treatment Scheme for Guangxi Nanning Bai Yi Commercial Company Limited's Resettled Property issued by 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) on 30 December 2009, the resettled 4 residential units has a total gross floor area of 94.87 sq.m.

(4) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(5) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information :

(i) The Resettlement Agreement is valid, legal and enforceable under the PRC laws;

(ii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is entitled to possess the property and it would be the responsibility of 廣西綠之都房地產開發有限公司 (Guangxi Lvzhidu Real Estate Development Ltd.) to assist 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) in obtaining the title documents;

(iii) Upon the delivery of the resettlement units, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use and lease; and

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(6) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

Resettlement Agreement	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III — Property held by the Group for sale in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
19.	The unsold portion of Fond England Blocks 1, 5, 8, 9, 11, 12, 13, 15, 16, 17, 18 retail units, basement car park No. 1 and 2, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 22 retail units, 58 residential units and 295 car parking spaces completed in the period between 2009 to 2012. Fond England is a composite retail and residential development with a total site area of 65,964.88 sq.m. and a total gross floor area of 170,812.30 sq.m. The property is located at the Foziling Road, Qingxiu District in Nanning, which is in sub urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial, residential and car park use. The property has a total gross floor area of 22,786.24 sq.m. with details as follows:	As at the date of valuation, the property was vacant.	196,000,000 (93.84% interest attributable to the Group: 183,926,400)

Use	Gross Floor Area *(sq.m.)*
Retail	1,007.84
Residential	10,416.45
Car parking space (303 lots)	11,361.95
Total	22,786.24

The land use rights of the property have been granted for urban composite residential uses. The land use term for commercial use is 40 years; for car park use is 50 years and 70 years for residential, expiring on 25 March 2044, 25 March 2054 and 25 March 2074 respectively.

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2008)503957 issued by People's Government of Nanning dated 29 April 2008, the land use rights of the property with a total site area of 65,964.88 sq.m. have been granted to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) for urban composite residential use due to expire on 25 March 2074.

(2) According to the Grant Contract of State-owned Land Use Rights No. (2004)3, 南寧市國土資源局 (Land Resources Bureau of Nanning) has granted the land use rights of the property to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited). The details are as follows:

(i)	Location:	North of Fengling Section, Minzu Avenue
(ii)	Site area:	65,964.88 sq.m.
(iii)	Use:	Urban composite residential
(iv)	Land use term:	70 years due to expire on 25 March 2074
(v)	Plot No.:	0419214
(vi)	Land premium	RMB23,622,034

According to the Supplementary Agreement for Grant Contract of State-owned Land Use Rights No. (2004)3, it was agreed that the maximum plot ratio changed from 1.21 to 2 with a supplementary land premium of RMB22,867,385.

(3) According to 6 copies of Construction Works Completion and Examination Registration Certificates issued by Nanning Construction Committee dated 11 August 2010, 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) is the construction party and the construction works of the property with a total gross floor area of 72,265.52 sq.m. has been completed with details as follows:

Nos.	**Construction**	**Construction scale** *(sq.m.)*
2010-0606	Block No. 2 of Phase I	8,291.43
2010-0607	Block No. 3 of Phase I	8,380.30
2010-0608	Block No. 5 of Phase I	19,803.03
2010-0609	Block No. 6 of Phase I	7,837.40
2010-0610	Block No. 7 of Phase I	13,188.36
2010-0611	Retail units and basement No. 1	14,765.00
Total		72,265.52

(4) According to 10 copies of Construction Works Completion and Examination Opinion Letter, the construction works of Block Nos. 1, 8, 9, 11, 12, 13, 15, 16, 17 and 18 were completed with details are summarised as follow:

Issued date	**Construction**	**Construction scale** *(sq.m.)*
2012-6-20	Block No. 1 of Phase II	10,303.03
2011-7-11	Block No. 8 of Phase II	9,221.50
2011-9-2	Block No. 9 of Phase II	14,161.82
2011-10-19	Block No. 11 of Phase II	18,869.11
2012-3-23	Block No. 12 of Phase II	2,309.12
2012-3-23	Block No. 13 of Phase II	2,309.12
2012-8-20	Block No. 15 of Phase II	2,119.46
2012-8-20	Block No. 16 of Phase II	2,119.46
2012-8-20	Block No. 17 of Phase II	1,791.54
2012-8-20	Block No. 18 of Phase II	1,791.54
Total		64,995.70

(5) As advised by the Group, portions of the property comprising 25 residential units and 29 car parking spaces with a total gross floor area of approximately 5,528.44 sq.m. is subject to various agreements for sale and purchase for a total consideration of approximately RMB45,180,436. We have included such amount in our valuation.

(6) According to Business Licence No. 450100000007574, 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) was established as a limited company on 3 August 2001 with a registered capital of RMB10,000,000.

(7) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate, Grant Contract of State-owned Land Use Rights and Supplementary Agreement for Grant Contract of State-owned Land Use Rights are valid, legal and enforceable under the PRC laws;

(ii) The land use rights of the property comprising a total site area of 65,964.88 sq.m. have been vested in 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited);

(iii) 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) is the sole legal land user of the property;

(iv) 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 93.84% by the Group.

(8) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Construction Works Completion and Examination Registration Certificates	Yes (part)
Construction Works Completion and Examination Opinion Letter	Yes (part)
Business Licence	Yes

VALUATION CERTIFICATE

Group IV — Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
20.	Block No. 10 of Fond England, No. 10 Foziling Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises a residential block known as Block No. 10 of Fond England erected on a parcel of land with a total site area of approximately 65,964.88 sq.m.. The property is located at the Foziling Road, Qingxiu District in Nanning, which is in sub urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial, residential and car park use. Upon completion, the property will comprise 1 residential building with a total planned gross floor area of approximately 14,051.71 sq.m. The property is scheduled to be completed in 2013. The land use rights of the property have been granted for urban composite residential uses due to expire on 25 March 2074.	As at the date of valuation, the property was under construction.	110,000,000 (93.84% interest attributable to the Group: (103,224,000)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2008)503957 issued by People's Government of Nanning dated 29 April 2008, the land use rights of the property with a total site area of 65,964.88 sq.m. have been granted to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) for urban composite residential use due to expire on 25 March 2074.

(2) According to the Grant Contract of State-owned Land Use Rights No. (2004)3, 南寧市國土資源局 (Land Resources Bureau of Nanning) has granted the land use rights of the property to 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited). The details are as follows:

(i)	Location:	North of Fengling Section, Minzu Avenue
(ii)	Site area:	65,964.88 sq.m.
(iii)	Use:	Urban composite residential
(iv)	Land use term:	70 years due to expire on 25 March 2074
(v)	Plot No.:	0419214
(vi)	Land premium	RMB23,622,034

According to the Supplementary Agreement for Grant Contract of State-owned Land Use Rights No. (2004)3, it was agreed that the maximum plot ratio changed from 1.21 to 2 with a supplementary land premium of RMB22,867,385.

(3) According to the Planning Permit for Construction Use of Land No. 2002-057 issued by Nanning Planning Administration Bureau dated 25 March 2002, the details are as follows:

(i)	Location	North of Minzu Avenue
(ii)	Construction party	南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited)
(iii)	Site area	74,860.63 sq.m.
(iv)	Project name:	Commodity residential development

(4) According to Planning Permit for Construction Works No. 450101200900925 issued by Nanning Planning Administration Bureau, a planning gross floor area of 14,160.50 sq.m. of Block No. 10 was permitted.

(5) According to Permit for Commencement of Construction Works No. 450101200905190501 issued by Nanning Construction Committee dated 27 August 2009, the commencement of the construction works of Block Nos. 10 and 11 with a total gross floor area of 33,030.93 sq.m. was permitted.

(6) According to Commodity Housing Pre-sale Permit No. (2011)143 issued by Housing Safeguard and Property Administration Bureau of Nanning, a total gross floor area of 14,051.71 sq.m. of Block No. 10, including 118 residential units, are permitted for pre-sale.

(7) As advised by the Group, portions of the property comprising 100 residential units with a total gross floor area of approximately 10,392.09 sq.m. is subject to various agreements for sale and purchase for a total consideration of approximately RMB93,701,571. We have included such amount in our valuation.

(8) As advised by the Group, the total expended construction cost for the property as at the date of valuation was approximately RMB52,788,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was approximately RMB17,810,000. We have taken into account such amounts in our valuation.

(9) The capital value when completed of the proposed development as at the date of valuation was in the sum of RMB144,000,000.

(10) According to Business Licence No. 450100000007574, 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) was established as a limited company on 3 August 2001 with a registered capital of RMB10,000,000.

(11) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate, Grant Contract of State-owned Land Use Rights and Supplementary Agreement for Grant Contract of State-owned Land Use Rights are valid, legal and enforceable under the PRC laws;

(ii) The land use rights of the property comprising a total site area of 65,964.88 sq.m. have been vested in 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited);

(iii) 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iv) 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 93.84% by the Group.

(12) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Grant Contract of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Commodity Housing Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
21.	Li Yuan Project, No. 128 Daxue Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 2 plots of land with a total site area of 9,074.37 sq.m. The property is located at the Liyuan Road, Xixiangtang District in Nanning, which is in sub urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial, residential and car park use. A residential development is planned to be erected on the property with planned gross floor areas as follows: **Use** / **Gross Floor Area** *(sq.m.)* Commercial 3,579.10 Residential 32,718.90 Public facilities 758.46 Car parking space (313 lots) 9,735.14 Total 46,791.60 The property is scheduled to be completed in 2014. The land use rights of the property have been granted for urban composite residential and commercial uses. The land use term for commercial use is 40 years and 70 years for residential use commencing from 10 November 2011.	As at the date of valuation, the property was under construction.	180,000,000 (87.52% interest attributable to the Group: 157,536,000)

Notes:

(1) According to the State-owned Land Use Rights Certificate Nos. (2011)584349 and (2011)584350 issued by People's Government of Nanning both dated 19 December 2011, the land use rights of the property with a total site area of 9,074.37 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for urban residential and commercial uses starting from 10 November 2011.

(2) According to the Complementary Agreement of the Grant Contract of State-owned Land Use Rights Nos. (2004)103 and (2004)104 entered into between 南寧市國土資源局 (Nanning Land Source Bureau)(Party A) and 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited)(Party B) dated 10 November 2011, the land use of the property with a total site area of 9,074.37 sq.m. was agreed to be changed into urban residential and commercial uses. The plot ratio was agreed to be changed into 4.0. Party B has an obligation to pay the additional land premium of RMB50,122,495.

(3) According to the Land Resource Bureau Reply Letter for Change Use of Land Plot Nos. 0107098 and 0107017 dated 21 January 2010 issued by Nanning Land Resource Bureau, the Land Reserve and Operation Committee of Nanning agreed to change the use of 2 plots of land (plot Nos. 0107098 and 0107017) from storage use to residential use.

(4) According to 2 copies of Planning Permit for Construction Use of Land Nos. 450107201210002 and 450107201210003 issued by Nanning Planning Administration Bureau dated 24 February 2012, details are summarized as follow:

Nos.	Issue date	Address	Land use type	Site area *(sq.m.)*
450107201210003	2012-2-24	No. 128 Daxue Dong Road	Commercial and residential	7,897.61
450107201210002	2012-2-24	No. 128 Daxue Dong Road	Commercial and residential	1,176.76
				9,074.37

(5) According to 3 copies of Planning Permit for Construction Works issued by Nanning Planning Administration Bureau dated 2 August 2012, details are summarized as follow:

Nos.	Issue date	Name of construction	Construction scale *(sq.m.)*
450107201210038	2012-8-2	Block A of Yufeng Liyuan	16,359.45
450107201210039	2012-8-2	Block B of Yufeng Liyuan	16,359.45
450107201210040	2012-8-2	Basement and retail units of Yufeng Liyuan	14,072.70
			46,791.60

(6) According to the Permit for Commencement of Construction Works No. 450112201207100101 issued by Construction Bureau of Hi-Tech Industrial Development Zone dated 9 August 2012, the construction works of the property with a total gross floor area of 46,791.60 sq.m. was agreed to be commenced.

(7) As advised by the Group, the total expended construction cost for the property as at the date of valuation was approximately RMB15,478,000 whilst the outstanding construction cost for completion of the property as at the date of valuation was approximately RMB139,721,000. We have taken into account such amounts in our valuation.

(8) The capital value when completed of the proposed development as at the date of valuation was RMB443,000,000.

(9) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(10) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates are valid, legal and enforceable under the PRC laws;

(ii) The land use rights of the property, comprising a site area of 9,074.37 sq.m. have been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(11) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Complementary Agreement of Grand Contract of State-owned Land Use Rights	Yes
Land Resource Bureau Reply Letter for Change Use of Land Plot	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V — Other parcel of land held by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2012 *RMB*
22.	2 plots of allocation land for residential use, No. 14 Xixiangtang Dong Road, New & Hi-Tech Industrial Development Zone, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 2 parcel of allocation land for residential use with a total site area of 1,815.87 sq.m. The property is located at the Xixiangtang Dong Road, Xixiangtang District in Nanning, which is in sub urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for residential use. The land use rights of the property have been allocated for residential use.	As at the date of valuation, two temporary buildings were erected on the property.	No commercial value

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2004) 427444 and (2004) 427445 issued by People's Government of Nanning both dated 1 September 2004, the land use rights of the property with a total site area of 1,815.87 sq.m. have been allocated to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for residential use.

(2) We have attributed no commercial value to the property as the property is allocated land and cannot be freely transferred in the open market.

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The property cannot be transferred, leased and mortgaged unless the approval from relevant authorities has been obtained;

(ii) The State-owned Land Use Rights Certificates are valid, legal and enforceable under the PRC laws;

(iii) The land use rights of the property, comprising a site area of 1,815.87 sq.m. have been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited); and

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VI — Property held by the Group for occupation in the PRC

	Property	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 September 2012** *RMB*
23.	2/F to 6/F of No. 11, 13 Xinmin Road, Nanning Guangxi Zhuang Autonomous District, the PRC	The property comprises the 2/F to 6/F of a commercial building with a total gross floor area of 1,383.96 sq.m. completed in 1990. The property is located at the Xinmin Road, Qingxiu District in Nanning, which is in urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial use. The land use rights of the property have been granted for a term of 40 years for commercial use due to expire on 6 September 2044.	As at the date of valuation, the property was occupied by the Group for office use.	11,200,000 (87.52% interest attributable to the Group: 9,802,240)

Notes:

(1) According to the State-owned Land Use Rights Certificate No. (2005) 428748 issued by People's Government of Nanning dated 4 February 2005, the land use rights of the property with a total site area of 298.55 sq.m. have been granted to 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) for commercial use due to expire on 6 September 2044.

(2) According to the Building Ownership Certificate No. 01504105 issued by Nanning Municipal Housing Administrative Bureau dated 18 August 2005, the building ownership of the property comprising a total gross floor area of 1,633.96 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited).

As advised by the Group, the property comprises portion of the development with a gross floor area of approximately 1,383.96 sq m as stated in the above Building Ownership Certificate.

(3) According to Business Licence No. 450100000008374, 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) was established as a limited company on 9 September 1997 with a registered capital of RMB23,408,000.

(4) We have been provided with a legal opinion issued by the Group's PRC Legal Advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;

(ii) The property, comprising a site area of 298.55 sq.m. and a gross floor area of 1,383.96 sq.m. has been vested in 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited);

(iii) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is the sole legal owner of the property;

(iv) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and

(v) 廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited) is a limited liability company established in accordance with the laws of the PRC and owned as to 87.52% by the Group.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the PRC Legal Advisor:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII — Property held by the Group for occupation in Hong Kong

	Property	**Description and tenure**	**Particulars of occupancy**	**Market Value in existing state as at 30 September 2012** *HK$*
24.	Office No. 3517 on 35th Floor, Wu Chung House, No. 213 Queen's Road East, Wanchai, Hong Kong. 119/2282 of 2282/80110th shares of and in Inland Lot No. 8766.	The property comprises an office unit on 35th floor of a 38-storey commercial building. Its ground and 2nd floors are designated for retail purpose, its 3rd to 6th floors are designated for car park whilst its upper floors accommodate office units. The building was completed in 1993. The property has a saleable area of approximately 1,029 sq.ft. (95.60 sq.m.). The property is held from the Government under Conditions of Exchange No. UB12210 from 25 May 1992 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	About 515 sq.ft of the property is leased for a term of 3 years from 1 May 2011 to 30 April 2014 at a monthly rent of HK$22,000, exclusive of rates, Government rent, management fees and electricity charges. The remaining of the property is occupied by the Group.	HK$17,000,000 (equivalent to approximately RMB13,900,000)

Notes:

(1) The registered owner of the property is Leepark Holdings Limited.

(2) The property is subject to a mortgage in favour of DBS Bank (Hong Kong) Limited for all moneys.

VALUATION CERTIFICATE

Group VIII — Properties leased and occupied by the Group in the PRC

	Property	Description and Tenancy Particulars	Market Value in existing state as at 30 September 2012 *RMB*
25.	1/F, 2/F and basement of composite building, known as International Kitchen Supplies Centre, No. 32 Gucheng Road, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises the retail portion of 1/F, 2/F and the basement of a composite building completed in 2007. The property is located at the Gucheng Road, Qingxiu District in Nanning, which is in urban area of Nanning. Developments nearby are mainly residential developments. According to the information provided by the Group, the property is for commercial use. The property has a gross floor area of approximately 5,200 sq.m. The property is currently leased from an independent party, Guangxi Ribao She, to the Group for a term from 28 December 2007 to 28 December 2027 with an annual rent of RMB2,950,000. According to the PRC legal opinion, the lease has been registered in the relevant authority and is legal, valid, binding on both parties and enforceable.	No commercial value
26.	11 retail units on 1/F of Guomao Centre, Xingning District, Nanning, Guangxi Zhuang Autonomous District, the PRC	The property comprises 11 retail units of a commercial podium known as Guomao Centre completed in 2007. The property is located at the intersection of Minzu Avenue and Gonghe Road, Xingning District in Nanning, which is in urban area of Nanning. Developments nearby are mainly commercial developments. According to the information provided by the Group, the property is for commercial use. The property has a gross floor area of approximately 1,039.10 sq.m. The property is leased from two independent third parties, 北京銀建鼎泰物業管理有限公司南寧分公司 and 張映雪, to the Group for terms due to expire on 31 March 2017 and 28 February 2014 respectively. The property is subletting to four independent third parties by the Group as retail units. According to the PRC legal opinion, the lease has not been registered in the relevant authority but is legal, valid, binding on both parties and enforceable.	No commercial value

REAL ESTATE REGULATORY SYSTEM IN THE PRC

I Real Estate Development

Foreign investment in real estate development

Under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) (the "Catalogue I") promulgated jointly by the MOFCOM and the National Development and Reform Commission (the "NDRC") in November 2004, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings and international conference centres falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted.

In October 2007, the MOFCOM and the NDRC jointly promulgated Foreign Investment Industrial Guidance Catalogue (the "Catalogue II") which came into effect on 1 December 2007. Compared with the Catalogue I , (i) transactions in real estate secondary market and real estate intermediary or broker companies have been added in the Catalogue II and falls within the category of industries in which foreign investment is subject to restrictions; and (ii) development and construction of ordinary residential units have been deleted from the Catalogue I industries in which foreign investment is encouraged and falls within the Catalogue II industries in which foreign investment is permitted.

Further, in December 2011, the MOFCOM and the NDRC jointly promulgated Foreign Investment Industrial Guidance Catalogue (the "Catalogue III") which became effective on 30 January 2012. Compared with the Catalogue II, the construction and operation of villas have been deleted from the list of restricted industries in the Catalogue II and falls within the Catalogue III industries in which foreign investment is prohibited.

According to the Interim Provisions on Approving Foreign Investment Project (外商投資項目核准暫行管理辦法) promulgated by the NDRC in October 2004, the NDRC shall examine and approve foreign investment projects with total investment of US$100 million or more within the category of industries in which foreign investment is encouraged or permitted and those with total investment of US$50 million or more within the category of industries in which foreign investment is subject to restrictions as classified in the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄), while the local development and reform authorities shall examine and approve the foreign investment projects with total investment less than US$100 million within the category of industries in which foreign investment is encouraged or permitted and those with total investment less than US$50 million within the category of industries in which foreign investment is subject to restrictions as classified in the Foreign Investment Industrial Guidance Catalogue. Foreign investment projects with a total investment of US$500 million or more within the category of industries in which foreign investment is encouraged or permitted and those with total investment of US$100 million or more within the category of industries in which foreign investment is subject to restrictions as classified in the Foreign Investment Industrial Guidance Catalogue are subject to further approval of the State Council based on the examination and approval of the NDRC.

A foreign investor intending to engage in the development and sale of real estate may establish a wholly foreign owned enterprise, joint venture or cooperative venture in accordance with the Law of the PRC Concerning Enterprises with Sole Foreign Investments (中華人民共和國外資企業法), the Law of the PRC on Sino-Foreign Joint Ventures (中華人民共和國中外合資經營企業法) or the Law of the PRC on Sino-Foreign Cooperative Ventures (中華人民共和國中外合作經營企業法) respectively.

New Regulation on Regulating Entry and Administration of Foreign Investment in Real Estate Market

The Ministry of Construction (the "MOC"), together with five other ministries and commissions, has issued a new regulation called the Opinions on Regulating Entry and Administration of Foreign Investment in Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the "Opinions") on 11 July 2006. The Opinions set out new requirements and restrictions on foreign investment in the real estate market and purchase of real estate properties in the PRC by foreign institutions or individuals. Major provisions of the Opinions, which may have impact on the acquisition of PRC domestic real estate enterprises or properties in the PRC, are as follows:

1. To develop or operate real estate in the PRC, the foreign investor must establish a foreign investment real estate enterprise in the PRC with a scope of business approved by the PRC authority ("Real Estate FIE") and the registered capital of the Real Estate FIE shall not be less than 50.0% of its total investment amount if the total investment amount is not less than US$10 million.

2. Transfer of shares and project of a Real Estate FIE and acquisition of domestic real estate enterprises by foreign investors shall be examined and approved by the MOFCOM and other authorities strictly in accordance with the relevant laws, regulations and policies. The foreign investors shall produce letters guaranteeing performance of the land grant contract, Construction Land Planning Permit, Construction Works Planning Permit, Construction Works Commencement Permit, land use rights certificate, documents evidencing the filing of the changes with construction (real estate) authorities and documents issued by the tax authorities evidencing payment of taxes.

3. When acquiring a domestic real estate enterprise through share transfer and other methods or acquiring the shares of the Chinese party in an equity joint venture enterprise, the foreign investor must properly settle the employees, deal with the bank facilities and make a lump sum of payment of the transfer price using its own capital.

4. Foreign investors that have invested in real estate properties without receipt of an approval certificate and a business license shall not carry out activities of real estate development and operation.

5. A Real Estate FIE that has not received full payment of its registered capital or has not obtained the land use rights certificate or whose project development capital has not reached 35.0% of the total project investment shall not be permitted to process domestic and foreign loans. Foreign exchange authority shall not approve conversion of foreign borrowings of such enterprises.

6. Foreign exchange authorities shall examine and approve strictly in accordance with the requirements of the relevant regulations and the inflow and conversion of the capital to be used for purchase of properties by Real Estate FIEs and foreign institutions or individuals. Foreign capital that satisfies the requirements will be allowed to be remitted into the PRC and be converted into RMB. RMB received from transfer of the relevant properties will be allowed to be converted through purchase of foreign currency and be remitted out of the PRC after confirmation of compliance with the relevant laws and regulations and payment of taxes.

On 14 August 2006, the General Office of the MOFCOM promulgated Circular on Thorough Implementation of the Opinions (商務部辦公廳關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知) (the "Circular"). The Circular, not only reiterates relevant provisions on foreign investment in real estate industry as prescribed in the Opinions, but also sets forth the definition of Real Estate FIE as "foreign-invested enterprise engaging in construction and operation of a variety of residences such as ordinary residences, apartments and villas, hotels (restaurants), resorts, office buildings, convention centres, commercial facilities, and theme parks, or, land/large-scale development aimed at the abovementioned projects".

On 1 September 2006, the SAFE and MOC promulgated and implemented the Circular on Regulating the Relevant Issues on the Foreign Exchange Management for the Market of Real Estate (關於規範房地產市場外匯管理有關問題的通知) that the Real Estate FIE shall not borrow foreign debt and the Foreign exchange Bureau shall not process any foreign debt registration or approval for foreign exchange settlement in relation to foreign debt for any Real Estate FIE, if

- the registered capital of the Real Estate FIE has not been fully paid; or
- the Real Estate FIE has not obtained the land use right certificate; or
- the capital for project developing has not met 35.0% of the total project investment.

On 23 May 2007, the MOFCOM and SAFE promulgated Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加强、規範外商直接投資房地產業審批和監管的通知), as summarised below:

1. Strict control shall be imposed on acquisition or investment on domestic real estate enterprises by way of return investment (including same effective controller). Foreign investors shall not change the effective controller of the domestic real estate enterprises for the purpose of circumventing approval procedure related to foreign-invested real estate;

2. In Real Estate FIE, Chinese and foreign investors parties shall not, in any way, enter into provisions of warranty with regard to allocating fixed returns, express or disguised, to any party;

3. Real Estate FIE incorporated upon approval by local approval bodies should be filed to the MOFCOM immediately;

4. Foreign exchange administration bodies, designated foreign exchange banks shall not process sale and settlement of foreign exchange under capital items, for Real Estate FIE that fail to complete filing procedure with the MOFCOM or to pass joint inspection for foreign-invested enterprises.

According to Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) promulgated by the General Department of the SAFE on 10 July 2007, (1) all the SAFE branches shall not process any foreign debt registration or approval for foreign exchange settlement in relation to foreign debt for any Real Estate FIE (including newly incorporated and injected by increased capital contribution) that has obtained Certificate of Approval from local commerce authorities and completed the filing with the MOFCOM on or after 1 June 2007; (2) all the SAFE branches shall not process foreign exchange registration (or change registration), sale and settlement of foreign exchange under capital items, for Real Estate FIE that has obtained Certificate of Approval from local commerce authorities, yet has not successfully filed with the MOFCOM on or after 1 June 2007.

Real estate developer

According to the Regulations on Administration of Urban Real Estate Development and Operation (城市房地產開發經營管理條例) promulgated and amended by the State Council on 20 July 1998, 8 January 2011 respectively and the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) (the "Provisions on Administration of Qualifications") promulgated by the MOC on 29 March 2000, a real estate developer shall apply for a qualification certificate and an enterprise may not engage in development and sale of real estate without a qualification certificate. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes. Real estate developers of different classes shall conduct real estate development business within prescriptive scope, and shall not undertake tasks beyond their respective class.

Real estate management

Pursuant to the Regulations on Property Management (物業管理條例) promulgated by the State Council in June 2003 and amended on 26 August 2007 and the Regulation on Administration of Property Management Enterprise Qualification (物業服務企業資質管理辦法) promulgated by the MOC in March 2004 and amended on 26 November 2007, a property management enterprise shall undergo an assessment of its qualifications by the qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate evidencing the qualification classification by the authority. No enterprise may engage in property management without undergoing the qualification assessment conducted by the authority and then obtaining a qualification certificate.

The amended Regulations on Property Management expand the rights of owners within those developments in several ways:

First, property owners are given final say on renovation and reconstruction decisions (including parking areas, elevators, storage rooms, and pipes). Previously, developers and property managers had the right to make most of these decisions.

Second, property owners are given more authority concerning owners' voting rights. Previously owners' voting rights for the initial owners' meeting were decided by the local government, by taking into account the construction area, the number of units, and other factors. Pursuant to the new Regulations on Property Management, owners themselves determine the distribution of voting rights.

Third, the amendments change the quorum requirements for owners' meetings. Previously, (i) quorum for an owners' meeting required the presence of owners who collectively held a majority of the entire voting rights, and (ii) decisions at owners' meeting were adopted by the affirmative vote of owners representing either a majority of the voting rights held by the owners presented in the owners' meeting or a two-thirds of the voting rights held by all owners of the entire property, depending on the nature of the matter. Now (x) quorum for an owners' meeting requires the presence of a majority of owners who collectively occupy a majority of the total construction area, and (y) decisions will be adopted only upon the affirmative vote of either a majority or two-thirds of the owners occupying a majority or two-thirds of the total construction area of the entire property, respectively, depending on the nature of the matter.

Fourth, the new Regulations on Property Management state that owners are bound by the decisions passed at owners meetings and by owners' committees. However, should the decision at an owners' meeting or by an owners' committee infringe upon an owner's legal rights, the new Regulations on Property Management stipulated that such affected owner can apply for the rescission of the decision through the courts.

THE LAND SYSTEM OF THE PRC

All land in the PRC is either State-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is State-owned, and all land in the rural areas of a city or town and all rural land are, unless otherwise specified by law, collectively owned. The State has the right to reclaim land in accordance with law if required for the benefit of the public. Although all land in the PRC is owned by the State or by collectives, private individuals and businesses and other organisations are permitted to hold, lease and develop land for which they are granted land use rights.

PRC law draws a distinction between the ownership of land and the right to use land. Land use rights can be granted by the State to the user to entitle the user to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. Under the Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Interim Regulations on Grant and Transfer") promulgated by the State Council on 19 May 1990, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. A premium is payable on the grant of land use rights. The maximum term for which land use rights can be granted are specified in the relevant regulations and vary from 40 to 70 years depending on the purpose for which the land is used:

Use of land	**Maximum period in years**
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Education, science, cultural, health and sports	50
Mixed and others	50

Under the Interim Regulations on Grant and Transfer, there are three methods in which land use rights may be granted, namely by agreement, tender or auction.

The Law of the PRC on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2007. Under Article 38, real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. Under Article 39, if land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use rights certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract: (a) where the investment or development involves building construction projects, more than 25.0% of the total amount of investment or development must have been made or completed; and (b) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purpose have been confirmed.

Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the State of that right.

The State generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Upon expiry, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewal grant. The construction land use right for residential property may be renewed automatically when expiry.

According to the Measures on Disposal of Idle Land (閒置土地處置辦法) promulgated by the Ministry of Land and Resources (the "MOLAR") on 28 April 1999 (the "1999 Measures"), "idle land" refers to land granted for use but laying idle because the land user fails to commence development and construction before the specified commencement date without the consent of the government which approved the use of the land. Where the land is deemed "idle land", relevant municipal or county land administrative departments (the "Land Administrative Authorities") shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Land Administration Authorities are responsible for implementing the disposal plan after such plan has been approved by the government which originally approved the use of the land. The methods of disposal of idle land include, among others, the following:

(i) extending the development and construction period by no more than one year;

(ii) changing the use of the land, and continuing development and construction afterwards;

(iii) arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions; where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value;

(iv) exchanging the land with other idle land of the same value or with construction land for development and construction;

(v) granting or allocating the land to a new land user by bidding or auction and compensating the former land user, the new land user shall develop or construct the construction project on original basis; or

(vi) entering into agreements with the land user regarding the recovery of land use right. In case that the former land user is in need of land, the government shall grant or allocate land of the same value accordingly.

Where the idle land is due to acts of the State or relevant governmental authorities and the land user has partly paid the purchase price (including any compensation or resettlement cost) for the land, in addition to the methods provided above, the State may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee, while the remaining part of the land will be withdrawn by the government.

The Urgent Notice to Further Strengthen Land Management at Current Stage (關於當前進一步從嚴土地管理的緊急通知) issued by the MOLAR on 30 May 2006, provides that: (i) the dates of construction commencement and completion shall be clearly stated in the state-owned land use rights grant contracts; and (ii) the penalty on idle land shall be strengthened. Where the idle land fee should be levied, it shall be levied at the highest level in accordance with the law. Where the idle land should be reclaimed without compensation, it must be absolutely reclaimed back in accordance with the law.

On 8 September 2007, the MOLAR promulgated the Circular on Reinforcing Disposition of Unused Land (關於加大閒置土地處置力度的通知) (the “MOLAR Circular”). The MOLAR Circular urges all levels of land authorities to speed up the disposition of unused construction land and to provide status reports on such land to MOLAR before the end of June 2008. It also provides that owners of unused construction land will be charged a fee equal to 20.0% of the land grant/allocation fee for their land. Finally, the MOLAR Circular emphasises the enforcement of the current law, which states that land designated for construction that has been unused for more than two years from the construction commencement date stated in the land grant contract will be forfeited without compensation. Concerning payment of land premium, the MOLAR Circular reiterated that a land use right certificate may not be issued prior to the full payment of these fees. The issuance of land use right certificates in separate phases according to the percentage of paid-in land premium is also prohibited.

The 1999 Measures was amended on 22 May 2012, promulgated on 1 June 2012 and will be implemented on 1 July 2012 (the "2012 Measures"). Pursuant to the 2012 Measures, "idle land" refers to the state-owned construction land which the state-owned construction land use right owner does not commence to develop beyond one year of the commencement date agreed or stipulated on the paid-use contract of state-owned construction land use right or allocation decision. The following land can also be determined as idle land (the "Other Idle Land"): (i) the state-owned construction land which the construction unit has already commenced to develop, but the developed construction land area is less than 1/3 of the total area of construction land and the unit has suspended to develop and construct the land for one year; (ii) the state-owned construction land which the construction unit has already commenced to develop, but the contributed investment amount is less than 25.0% of the total project investment and the unit has suspended to develop and construct the land for one year.

Where the delay of commencement of development is caused by the government's behavior or the idle land is due to the force majeure of natural disasters, Land Administrative Authorities shall discuss with the state-owned construction land use right owner and choose the following methods for disposal:

(i) Extending the time limit of the start of development. The government and the state-owned construction land use right owner shall enter into the supplemental agreement and re-specify the time limit of the start of development and construction completion and the liability for breach of contract. The time limit of the start of development shall not be extended over one year from the date of the start of development specified on the supplemental agreement;

(ii) Adjusting the land use and planning conditions. The relevant using land procedure shall be re-gone through and the land fees shall be checked, collected or returned according to the new land use or planning conditions;

(iii) The government arranges temporary use for the idle land. The state-owned construction land use right owner shall re-develop and construct the idle land till the former project satisfies the requirements of development and construction. The time limit of temporary use shall not be over two years from the day of temporary use arranged;

(iv) Getting back the use right of the state-owned construction land with compensation;

(v) Exchanging the idle land. When the land fees of the idle land have been paid up, the project fund has been completed and the idleness is caused by the plan amendment according to the law, the government can exchange other state-owned construction land of same value and use for the state-owned construction land use right owner to develop and construct. As for the grant land, the state-owned construction land use right owner and the government shall re-enter into land grant contract which shall specify the land as the exchange land; and

(vi) The Land Administrative Authorities can stipulate other disposal ways according to the actual situation.

Save for the above item (iv), the time of the commencement of development shall be re-dated according to newly agreed or stipulated time. The Other Idle Land shall be disposed according to the above-mentioned disposal methods.

On 3 January 2008, the State Council issued the Notice on Promoting the Economisation and Intensive Use of Land (關於促進節約集約用地的通知). This notice states, among other things, that (i) state policies in relation to the forfeiture of land use rights of land which has remained idle for more than two years without compensation shall be strictly implemented; (ii) if any land remains idle for more than one year and less than two years, an idle land fee of 20.0% of the relevant land premium shall be levied; (iii) before June 2008, local governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) The MOLAR shall act with relevant authorities in research of the implemental rules on the payment of appreciated land value of idle land, especially idle land used for real estate; (vi) in relation to the supply of residential land, planning conditions such as minimum plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70.0% of the total land grants for residential developments will consist of low-cost rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who fails to commence the construction for one year or more from the commencement date stipulated in the land grant contract, complete at least one-third of the development of project or inject at least 25.0% of the total investment in the project.

On 18 November 2009, the MOF, the MOLAR, the PBOC and the Ministry of Supervision and the National Audit Office collectively promulgated a Notice on Further Strengthening Management on Income and Expenditure in Land Grant (關於進一步加强土地出讓收支管理的通知), pursuant to which, land premium are to be fully paid within one year of the land grant contract with the initial payment to be no less than 50.0% of the land premium. Upon approval by the relevant authorities, land premium of the particular project could be fully paid within two years.

On 8 March 2010, the MOLAR promulgated the Notice on Strengthening the Supply and Supervision of Land for Real Estate (關於加强房地產用地供應和監管有關問題的通知), pursuant to which:

1. Lands for houses of large dwelling size shall be strictly controlled, and land supply to cottage shall be strictly prohibited.

2. The use of lands for operational projects such as affiliated business service within construction projects of indemnificatory housing shall be paid on the basis of market price. Where indemnificatory housing is included in the commodity house construction projects, restrictive conditions of indemnificatory housing shall be stipulated definitely in the land grant contracts, namely the sum of the construction area, the assigned land area, the number of sets, the construction area of the dwelling size, the conditions of retraction or repurchase by government after completion, and the requirement that indemnificatory houses and commodity houses be simultaneously under construction.

3. The lowest price for land grant shall not be lower than 70.0% of the benchmark price of the rank where the land to grant locates, and the bid bond shall not be less than 20.0% of the lowest price for land grant.

4. After the land grant is completed, the land grant contract shall be entered into within ten business days, and the down payment amounting to 50.0% of the land grant premium shall be paid within one month after the contract is signed, the remaining payments shall be made timely according to the contract with the last payment being made no later than one year. The land grant contract shall definitely stipulate the land area, use, plot ratio, construction density, dwelling size area and ratio, deposit, delivery time and method, payment time and method, commencement and completion time for construction and specific determining standards, and breach liability handling. Contracts shall not be signed if any of the above terms is not included; grantors shall be held liable where contracts are signed in violation of regulations. Supply of lands shall be terminated without any refund where contracts are not timely signed by the grantees. Lands shall be retracted where the grant prices are not paid after the signing of the contracts.

5. Since 1 April 2010, administrative departments of state-owned land resources in cities and counties shall set up report system for commencement and completion of construction on lands for real estate. Land users shall report in writing to administrative departments of the state-owned land resources at the time of commencement and completion of construction, and terms stipulated in the contracts shall be examined by the department.

   Where the projects are not commenced or completed within the time limit stipulated in the contracts, land users shall report the reasons for postponement within fifteen days prior to expiration, and the administrative departments of state-owned land resources in cities and counties may conduct agreed supervision upon the reported matters by adding terms in grant contract and assignment decision letter or entering into supplementary agreements, after they shall process seriously according to the contract. For those who do not execute the report system, the non-execution shall be made public to the society and they shall be restricted to engage in any land purchase activity within at least one year.

6. Lands for indemnificatory housing shall not be used for commercial real estate development, lands shall be retracted by government with other lands selected and supplied when change is needed for urban scheme adjustment.

On 21 September 2010, the MOLAR and the MOHURD collectively promulgated the Notice on Further Strengthening the Administration and Control on Land Used for and Development of Real Estate (關於進一步加强房地產用地和建設管理調控的通知), which stipulates that:

1. For different kinds of land used for indemnificatory housing that have been already supplied, the nature and the use of the land shall not be altered, the construction standard shall not be enhanced and the dwelling area shall not be increased. For the indemnificatory housing construction project in which change occurs in any of the above items, relevant authority shall not let it go through any relevant procedures and fines shall be imposed as punishment and unlawful income shall be forfeited by law where the properties have been sold as commodity houses;

2. The planning and construction conditions for granting lands shall be strictly stipulated. The plot ratio index of lands for residential purpose must be greater than one;

3. After the land is granted, any entity or individual is not entitled to alter the scheme or construction condition without authorisation. Where adjustment is needed for non-enterprise related reason, public procedure shall be gone through according to the Law of Urban-rural Planning. Where a development enterprise proposes an application for adjustment in conditions of planning and construction but the commencement of construction is not on time, the land use right shall be retracted, and the land shall be re-granted through bidding, auction and listing-for-sale;

4. Qualification of land bidders shall be strictly examined. The state-owned land and resources authority shall require the bidder, who takes part in land grant by way of bidding, auction or listing-for-sale, to provide, besides valid identity proof and cash deposit for bidding, letters of commitment that the cash deposit for bidding is not part of bank loan, shareholder loan, on-lending, and fund-raising as well as creditability certificates from commercial financial institute;

5. In accordance with the Notice on Resolutely Curbing the Soaring of Housing Prices In Some Cities (關於堅决遏制部分城市房價過快上漲的通知) promulgated by the State Council on 17 April 2010, the state-owned land and resources authority shall prohibit the bidder and its controlling shareholders from taking part in the land bidding activities before the case is closed and the investigation and the rectification are in place, where the bidder is detected and verified to have committed the following behaviour which is against laws and regulations:

   (1) crimes including obtaining land in use of forged documents and illegally reselling land for profit;

   (2) unlawful activities including illegal transfer of land-use rights;

   (3) leaving land unused for more than one year because of the company itself; and

   (4) developing land in violation of the conditions stipulated in the grant contract by the development and construction company;

6. Decision letter of allocation and grant contract shall be strictly administered. In the event of different kinds of house construction projects, it shall be stipulated in the decision letter of allocation and the grant contract that construction shall be commenced within one year from the date of delivery of land, and completed within three years from the date of commencement of construction. In the event of land for various use purposes, the planning, construction and each relevant condition shall be respectively and definitely stipulated in the contract.

On 19 December 2010, the MOLAR issued the Notice on Strictly Realising of Adjustment and Control Policy on Real Estate Land Use and Promoting the Healthy Development of Land Market (國土資源部關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), pursuant to which:

1. Where the cities and counties could not complete the 2010 land supply mission for social welfare housing and the total supply of social welfare housing, rebuilding shanty areas housing and small or medium-sized ordinary commodity residential property is lower than 70.0% of the total land supply, the land supply for large-sized high-end ordinary commodity residential property construction shall be suspended till the end of 2010;

2. Where the purchase price is more than 1.5 times of the basic price, total transaction price or unit price reached the highest level ever in bidding, auctioning and listing-for-sale, the local land and resources authorities shall fill in the form and respectively report to the MOLAR and the local land and resource authorities in the upper level within two business days after the execution of sales confirmation or issuance of award notice;

3. The land bidder shall not pass the qualification examination where the bidder or its controlling shareholder is found to have committed the following behaviour which is against laws and regulations: (i) obtaining land in use of forged documents and illegally resell land for profit; (ii) illegally transferring land-use rights; (iii) holding idle land for more than one year because of the company itself; and (iv) developing land in violation of the conditions stipulated in the grant contract; and

4. Changing the land use of social welfare housing project is prohibited. Where the land originally used for social welfare housing changed to development of commodity residential property, relevant income derived from it shall be confiscated and the land use right regarding the same shall be surrendered by the competent land and resources authority for re-grant through bidding, auctioning or listing-for-sale. Adjusting the volume rate without authorisation is strictly prohibited. Where the adjusting volume rate is authorised, the local land and resources authorities shall calculate and determine the supplemental payment of land grant fees according to the market price at the moment the authorisation is granted.

According to the Notice regarding the Due Execution of the Main Work on the Control and Administration of the Use of the Land for Urban Residential Properties in 2011 (國土資源部關於切實做好2011年城市住房用地管理和調控重點工作的通知) published by the MOLAR on 5 February 2011, (1) the relevant governmental authorities of the cities and counties responsible for the administration of land resources shall, before granting the land for commodity housing and with reference to the annual price control target and the property price and land price on which the relevant parcel of land is located, determine the range of the minimum price of the grant of the relevant land use rights; (2) all regions shall strictly implement the rules on the area of land to be granted for commodity housing and shall not grant two or more parcels of land in a package, land located in older urban area without undergoing demolition and resettlement procedures and which does not satisfy the basic development requirement or residential land with plot ratio of less than 1; no registration shall be made for any transfer of land or contractual land development project if the investment contributed by the relevant property developer is less than 25.0% (not including the land premium).

The MOLAR issued the Notice on the Strict Implementation of Land Use Standard and Vigorously Promoting Optimal Land Utilization (國土資源部關於嚴格執行土地使用標準大力促進節約集約用地的通知) (the "**Notice**") on 6 September 2012. The Notice requires all levels of competent authorities of land and resources strictly implement and constantly improve the land use standards. As to the land for the industrial and commercial purpose granted by tender, auction and listing in accordance with the law, it is not allowed to go through the formalities of land examination, approval, supply and use where the land area and the housing volume of which are not compatible with the conditions of residential land supply. Moreover, the Notice also requires that the land resources departments of city and county level shall include the control requirements of land use standard into the transfer scheme and notice and write the abovementioned requirements into the grant contracts and strictly enforce them. In addition, the Notice also stipulates that from the day the Notice is issued, the provincial administrative department of land and resources shall clean the local land use standards and abolish the standards which do not accord with the principle of land saving and intensive use or the national land use standards. The notice shall be implemented on the day of promulgation, which is valid for five years.

Transfer of Real Estate

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) promulgated by the MOC on 7 August 1995 and amended in August 2001, a real estate owner may sell, give as gift or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred concurrently. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that: 1) the land premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use right certificate has been obtained; 2) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25.0% of the total project investment has been completed, or in case of a whole land lot development project, construction works has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate shall be the balance of the original term provided by the land grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the usage of the land provided in the original land grant contract, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to, inter alia, adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. After the People's government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Mortgages and Leases of Real Estate

Under the Urban Real Estate Law and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法) promulgated by the MOC on 9 May 1997 and amended in August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use right of the land on which the building is situated. The mortgagor and the mortgagee shall sign a mortgage contract in writing. A system has been adopted to register the mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and then issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee. If a mortgage is created on a commodity building put to pre-completion sale or on works in progress, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

Under the Administrative Measures on Lease of Commodity Properties (商品房屋租賃管理辦法) promulgated by the Ministry of Construction on 1 December 2010 and came into effect on 1 February 2011, the parties to a lease of a building shall enter into a lease contract in writing and go through the filing and registration procedures of the lease contract. The Measure for Administration of Leases of Buildings in Urban Areas (城市房屋租賃管理辦法) was abolished on 1 February 2011.

Demolition, Construction and Completion

Demolition

In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing (城市房屋拆遷管理條例), which were promulgated by the State Council on 13 June 2001, upon obtaining approvals for a construction project, Construction Land Planning Permit and approvals for State-owned land use rights, demolition and relocation plan and proof issued by a financial institution handling deposit business relating to the demolition and relocation compensations, the demolition and removal party may apply to the municipal, or county people's government of the place where the real estate is located (i.e. the administration bureau of State-owned land resources and housing of the relevant city, district on county) for a Property Demolition and Removal Permit (房屋拆遷許可證). Upon granting an approval and issuing a Property Demolition and Removal Permit, the real estate administration department shall issue a demolition and removal notice to the inhabitants of the area to be demolished. The demolition and removal party shall implement the demolition and removal within the area and period specified in the Property Demolition and Removal Permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it shall, within 15 days prior to the expiry of the Property Demolition and Removal Permit, apply to the original approval department in charge of demolition and removal for an extension. On 21 January 2011, the Regulation on the Dismantlement of Urban Houses (城市房屋拆遷管理條例) was repealed and was replaced by the Regulation on the Expropriation and Compensation of Buildings on State-owned Land (國有土地上房屋徵收與補償條例) (the "Regulation") came into effect on 21

January 2011. The Regulation, as promulgated by the State Council, provides that the expropriated owners of buildings that are located on state-owned land, are entitled to indemnity. Compensation agreements shall be entered into between expropriated owners and the house-expropriation departments to be appointed by the city or county government, as to the compensation methods, compensation amount, payment terms and other relevant issues. In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnity according to the application of the house-expropriation departments and published government notices within the area of the expropriation. The indemnity shall be made prior to the relocation. No enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Construction enterprises are prohibited from participating in relocation activities.

The Measures of Expropriation and Evaluation of Properties on State-owned Land (國有土地上房屋徵收評估辦法) was promulgated and implemented on 3 June 2011, which stipulates:

1. The value of the expropriated property is the sum which transaction parties familiar with the situation would make the deal at the time of evaluation and in the way of fair transaction, excluding factors such as lease, pledge and sequestration.

2. The market value of the property used for exchanging the ownership of expropriated property shall be confirmed by evaluation. The time of the evaluation of expropriated property is the day when the property expropriation decision is posted. The time of the value evaluation of the property used for exchanging the ownership shall be the same as the time of the value evaluation of expropriated property.

3. The value evaluation of expropriated property shall consider the factors such as the location, use, construction structure, construction area and land use right of expropriated property. The expropriation parties shall negotiate to confirm the value of interior decoration of expropriated property, moving fees of machinery equipments and materials and the compensation for the losses of stopping production or business; if the parties fail to reach an agreement, the expropriation parties can entrust a real estate pricing institution to evaluate and confirm the price.

Construction

Under the Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOC in December 1992 and amended on 26 January 2011 and being effective from 1 July 2011, the grantee to a land grant contract, i.e. a real estate developer, shall legally apply for a Construction Land Planning Permit from the municipal planning authority with the land grant contract, which permits use planning for the land to be developed by the real estate developer.

After obtaining a Construction Land Planning Permit, a real estate developer shall organise the necessary survey, planning and design work having regard to planning and design requirements. For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the Law of the PRC on Urban and Rural Planning (中華人民共和國城鄉規劃法), promulgated by the Standing Committee of the NPC on 28 October 2007, and local statutes on municipal planning must be followed and a Construction Works Planning Permit must be obtained from the municipal planning authority.

After a real estate developer has obtained the Construction Land Planning Permit and the Construction Works Planning Permit, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with the relevant requirements and funds for construction are available, the real estate developer shall apply for Construction Works Commencement Permits from the construction authority under the local people's government above the county level in accordance with the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the MOC in October 1999 and as amended in July 2001.

Under the Property Development and Municipal Infrastructure Facilities Construction Tender Management Regulations (房屋建築和市政基礎設施工程施工招標投標管理辦法) (the "Tender Regulations") promulgated by the MOC in June 2001, a Tender Appraisal Committee should be set up for the appraisal of the tender for construction works for the project. According to the Tender Regulations, the Tender Appraisal Committee to be organised by the Group shall include the representatives and relevant specialists selected by the Group from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to RMB2 million or more or the total investment of the project is RMB30 million or more, the developer is required to undertake a bidding process for the award of the construction contracts. The Group will set the tender conditions according to the written tender report provided by the Tender Appraisal Committee, and after the tender, the Group (through a subsidiary) and the successful tenderer shall sign a written contract according to the terms of the tender. The quality and timeliness of the construction are usually warranted in these contracts. Typically, these construction contracts provide for progress payments to be made by the Group to the construction companies at agreed phases of completion of the constructions works.

According to the Administrative Measures of Construction Land Plot Ratio (建設用地容積率管理辦法) (the "AMCLPR") which was promulgated by MOHURD on 17 February 2012 and implemented on 1 March 2012, the AMCLPR is applicable to the lands which are offered by grant or allocation of the planning area of city or/and county level. The urban and rural planning competent authorities of city or/and county level is required to specify the planning condition, like the plot ratio, as composing part of the land use right grant contract. The land use right cannot be granted without the specification of its planning condition, like the plot ratio.

The specified plot ratio shall not be changed by any contractors and individuals after the land use right have been granted or allocated unless the conditions and procedures in accordance with the provisions of the AMCLPR. The plot ratio specified by the approved regulatory detailed planning should be complied with by any companies and individuals and is prohibited to be changed. If adjustment is indeed needed, it shall only be changed according to the AMCLPR. During the verification of the construction project by the local government at or above the county level of urban and rural planning departments, the project shall be verified strictly to ensure the plot ratio can meet the requirements specified in the regulatory detailed planning. If the construction project has not been verified or is not complied with regulations in terms of the plot ratio, the contractor is unable to conduct the acceptance of construction. The construction project cannot be commenced according to the timeline due to the contractor or individual apply to the adjustment of the plot ratio should be subject to the relevant regulation of disposal of the idle land.

Completion

Pursuant to the Regulation for Administration of Urban Real Estate Development and Operation, upon completion of the real estate development project, the real estate developer should apply for the project completion and inspection to the competent real estate administration authorities at or above the county level where the project is located. The real estate administration authorities should organise the construction quality supervision, planning, fire safety, civil air defence and other relevant authorities to conduct completion inspection on contents relating to public security within 30 days upon receiving the application.

Pursuant to the Measures for the Administration of the Completion and Inspection Filing of Building Construction and the Municipal Infrastructure Facilities (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the MOC in April 2000 and amended by the MOHURD in October 2009 and the Interim Provisions on Completion and Inspection of Buildings and Municipal Infrastructure Facilities Work (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the MOC on 30 June 2000, the real estate developer is responsible for the organisation of the implementation of the project completion and inspection. The project quality supervision institution shall carry out supervision of the project completion and inspection. A real estate development project may only be delivered to the buyer after passing the necessary completion inspection, and may not be delivered before the necessary completion inspection is conducted or without passing such completion inspection. For residential housing or other building complex project, a comprehensive completion inspection shall be conducted upon completion of the whole project and where such a project is developed in phases, a completion inspection may be carried out for each completed phase. The real estate developer should file a record of the project completion inspection and acceptance within 15 days from the pass of the completion inspection.

Pursuant to the Urban Real Estate Law, the ownership of the properties and the relevant land use right should be transferred simultaneously. In the event that the purchasers acquire the property ownership certificates, the real estate development enterprises are no longer entitled to the relevant land use right.

Pre-sales and sales

Commodity buildings are buildings for sale and include residential and commercial properties. Under the Measures for Administration of Sale of Commodity Buildings (商品房銷售管理辦法) promulgated by the MOC in April 2001, sale of commodity buildings can include both post-completion and pre-completion sales. Commodity buildings may be put to post-completion sale only when the pre-conditions for such sale have been satisfied. Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of pre-conditions for post-completion sale to the real estate development authority for its record.

Any pre-completion sale of commodity buildings shall be conducted in accordance with the Measures for Administration of Pre-completion Sale of Commodity Buildings (城市商品房預售管理辦法) ("Pre-completion Sale Measures") promulgated by the MOC in July 2004, and the Urban Real Estate Law. The Pre-completion Sale Measures provides that pre-completion sale of commodity buildings is subject to certain procedures. According to the Urban Real Estate Law and the Pre-completion Sale Measures, a permit shall be obtained before a commodity building may be put to pre-completion sale. A developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the real estate development authority of the relevant city or county to obtain a Pre-Sales Permit. A commodity building may only be sold before completion provided that: 1) the land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; 2) Construction Works Planning Permit and Construction Works Commencement Permits have been obtained; and 3) the funds invested in the development of the commodity buildings put to pre-completion sale represent 25.0% or more of the total investment in the project and the progress of construction works and the completion and delivery dates have been ascertained.

Under the Pre-completion Sale Measures and Urban Real Estate Law, the pre-sale proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

On 13 April 2010, the MOHURD promulgated the Notice on Further Strengthening the Supervision and Administration of Real Estate Market and Improving the Commodity House Pre-sale System (關於進一步加强房地產市場監管完善商品住房預售制度有關問題的通知), which stipulates that:

1. For the commodity house projects which have not obtained the pre-sale permissions, real estate development enterprises shall not conduct any pre-sale activity, or collect fees from purchasers in the nature of deposit or reservation fee in forms of subscription, reservation, number arrangement and VIP card distribution and shall not engage in any sales exhibition. For those which have obtained the pre-sale permissions, real estate development enterprises shall carry out one-time publications of the sources of all houses permitted to sell and the price of each house within ten days, and sell the houses strictly at the prices reported and definitely posted. Real estate enterprises shall not sell the houses to any third party, of which the titles have been reserved by themselves, prior to the initial registration of the titles, or pre-sell the commodity houses in the methods of return-cost sale or after-sale lease arrangement or engage in any false transaction.

2. The smallest scale set by a pre-sale permission shall not be smaller than a building, and the pre-sale permission shall not be proceeded by floor or unit.

3. Real estate development enterprises shall sell commodity houses according to the pre-sale plans for commodity houses. Major alteration in the pre-sale plans shall be reported to the competent authority and made public.

4. Real-name system shall be strictly implemented in the sale of commodity houses, and changes of the names of the purchasers without permission are not allowed after subscription. Pre-sale shall be rescinded if the purchaser does not enter into pre-sale contract within the time limit after subscription, and the houses upon rescission shall be sold to the public.

5. The conditions of delivery and use of commodity houses include that the construction is completed and accepted as qualified after inspection and reported to the local competent authority, the affiliated basic facilities and public facilities have been built up fulfilling the use requirements, the installation of device in residence for household heat metering in northern areas satisfies the design requirements, the policy of residence quality guaranty and residence use instruction has been carried out, the party to assume liabilities for commodity house quality has been decided definitely, and the front-end property management has been carried out. Real estate development enterprises shall show the proof of the above to the purchasers at the time of delivery of the commodity houses for use.

Pursuant to Administration Regulation of Pre-sale Proceeds of Commodity House of Nanning City (南寧市商品房預售資金監管辦法) promulgated on 3 September 2012 by Nanning City Government and will be implemented on 1 December 2012, real estate development enterprise shall sign a supervision agreement of pre-sale proceeds of commodity house with the regulatory authority and the commercial banks with the business of pre-sale proceeds of commodity house before applying for the Pre-Sales Permit. Moreover, all the pre-sale proceeds shall be deposited into the special account and the regulatory authority shall focus on supervising the project construction fund and ensure the pre-sale proceeds to be preferentially used for the project construction. The supervision period of the pre-sale proceeds of commodity house is from the time the authority issuing Pre-Sales Permit to the time the commodity house project obtaining Record Certificate of Commodity House Sale.

On 4 November 2010, the MOHURD and the SAFE collectively promulgated the Notice on Further Regulating the Administration on House Purchase by Overseas Organisation and Individual (關於進一步規範境外機構和個人購房管理的通知), which stipulates that, except as otherwise stated in laws and regulations, an overseas individual shall solely purchase one unit of owner-occupied residential house, and an overseas organisation with a branch or representative office set up in the PRC shall solely purchase non-residential house necessary for business operations in the city where it is registered.

The Regulations on Sales of Commodity Housing Properties at Explicit Marked Price (商品房銷售明碼標價規定), as promulgated by the NDRC on 16 March 2011 and becoming effective on 1 May 2011, provides that real estate development enterprises and real estate agencies (hereinafter, collectively "the Sellers and the Agencies") shall, at the time of selling newly-built commodity housing properties, publish and stipulate the price of the commodity houses and other relating costs, as well as the standard and other variable factors of determining prices. The Sellers and the Agencies shall have one set of pricing structure for each unit of property and endeavour to sell the properties using that price structure. For real estate development projects that have procured the Pre-Sales Permits or obtained permissions to sell their development projects, the Sellers and the Agencies shall, within a prescribed period of time, publicise the stipulated price structure and the related costs and shall strictly abide by that pricing structure in selling the properties. The Sellers and the Agencies shall not sell the properties at price higher than the published prices or claim reimbursement for costs that are not specified or disclosed. In addition, property agencies that list second-hand properties for sales shall stipulate explicitly the price structure and sell the second-hand properties in accordance to the terms of such regulation. In the event that the Sellers and the Agencies do not stipulate the price structure or publish the relating charges, or commit frauds by means of manipulating prices, or publish inaccurate prices, competent government authorities at the county-level or above are entitled to impose penalties against the Sellers and the Agencies accordingly.

Warranty and Maintenance of Buildings

Under the Construction Law of the PRC (中華人民共和國建築法) promulgated and amended by the Standing Committee of the NPC on 1 November 1997 and 22 April 2011 and being effective from 1 July 2011, Measures for Administration of Sale of Commodity Buildings, Rules on the Implementation of the System on Residence Quality Guarantee and Residence Usage Specification (商品住宅實行住宅質量保證書和住宅使用說明書制度的規定) promulgated by the MOC on 20 May 1998, Regulations on Quality Management of Construction Projects (建設工程質量管理條例) promulgated by the State Council on 30 January 2000, when a real property developer delivers newly built residential houses, it should provide the Residence Usage Specification and Residence Quality Guarantee. The Residence Quality Guarantee is the legal document stipulating the warranty and maintenance obligations a real property developer should bear for the already sold residential houses and it can be a supplementary agreement to the Commodity House Purchase Contract.

According to Measures on the Warranty and Maintenance of Building Construction Projects (房屋建築工程質量保修辦法) promulgated by the MOC on 30 June 2000 and other laws, regulations, under the natural usage, the warranty and maintenance period to different parts of the construction projects should not be shorter than the following:

(1) the reasonable using period as stipulated by the project designing documents for the groundwork foundation and main body structure project;

(2) five years for the waterproof project of the surface, the toilet and rooms having waterproof requirements, the leakage prevention of the outside metope;

(3) two heating periods/cooling periods for the heating and cooling system;

(4) two years for the electrical and gas pipeline, water supply pipe and drainpipe, equipment fixing; and

(5) two years for the fitment project.

The warranty and maintenance period of other parts may be determined by parties at their discretion.

On 26 January 2011, the General Office of the State Council issued the Notice on Further Promoting the Adjustment and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) (the "2011 Notice 1"), pursuant to which:

1. Ten million units of social welfare housing and rebuilding shanty areas housing will be constructed in the whole country in 2011 and the supply of public rental housing shall be increased;

2. The minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60.0% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC;

3. If the land approved for real estate use does not obtained relevant construction permit for commencement of development more than two years, it shall be forfeited to the government and the penalties of no more than 20.0% of the land premium shall be imposed;

4. The local resident families who have owned one unit of residential property and the nonlocal resident families who can provide documentation evidencing their payment with certain time period of tax or social security in the locality are generally limited to one residential property purchase (including newly-built commodity residential properties and second-hand residential properties); and

5. The local resident families who have owned two or more units of residential properties, the non-local residents families who have owned one or more units of residential properties and the non-local resident families who fail to provide documentation evidencing their payment with certain time period of tax or social security in the locality are prohibited to residential property purchase in the relevant administrative areas.

At the same time, the 2011 Notice 1 also stipulates that the local government shall, in accordance with its economic development benchmark, the growth rate of the average affordable income and the capability of the residents, determine the annual price control target of newly-developed residential properties and publish the same to the public within the first quarter of the year. Up to now, Nanning has already announced the price control target of newly-developed residential properties for the year 2011 and stipulated that the increase in the price of newly-developed residential properties has to be compatible with the growth rate of the average affordable income and be within the increase in GDP of Nanning City.

Property development loans

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission (the "CBRC") on 30 August 2004, commercial banks may not provide any loan in any form for a project without the land use rights certificate, Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Pursuant to the Circular of the State Council on Adjusting the Capital Ratios of Fixed Asset Investment Projects in Some Industries (關於調整部分行業固定資產投資項目資本金比例的通知) promulgated by the State Council in April

2004, the capital ratio of the real estate development projects has been increased from 20.0% to 35.0%. Accordingly, any real estate developer applying for property development loans shall have at least 35.0% of capital required for the development and commercial banks should maintain a strict loan system for considering applications for property development loans.

In addition to the above, pursuant to the Opinions, a foreign investor engaged in real estate development or operating real estate in the PRC would have to establish a foreign investment real estate enterprise in the PRC with the registered capital of not less than 50.0% of its total investment amount if the total investment amount is US$10 million or more, and shall not be permitted to process domestic and foreign loans if it has not received full payment of its registered capital or has not obtained the land use rights certificate or whose project development capital has not reached 35.0% of the total project investment. Please refer to the section "New Regulation on Regulating Entry and Administration of Foreign Investment in Real Estate Market" of this Appendix for further details of the Opinions.

In accordance with the Notice Regarding Adjusting Capital Proportion of Fixed Assets Investment Project (國務院關於調整固定資產投資項目資本金比例的通知) promulgated by the State Council on 25 May 2009, the minimum capital proportion for low-income housing projects and commercial housing projects is 20.0%, and the minimum capital proportion for other types of property development projects is 30.0%.

Insurance

There is no mandatory provision in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. However, PRC commercial banks may require the real estate developer to purchase insurance if the commercial bank intends to grant a development loan to the real estate developer. According to the Notice on the Issuance of two Regulations on the Administration of Real Property Loan (中國銀行關於印發兩個房地產貸款管理辦法的通知) issued by the Bank of China on 21 May 1998, the borrower of a development loan shall take designated insurance as required by the lender from the insurance company before the signing of the loan agreement.

Restrictions on the Grant of Residential Development Loans and Individual Property Purchase Loans by Banks

According to the Notice of the PBOC on Regulating Residential Property Financing Business (中國人民銀行關於規範住房金融業務的通知) promulgated by the PBOC in June 2001 and abolished in March 2010, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

1. Housing development loans from banks shall only be granted to real estate development enterprises with adequate development assets and higher credit ratings. Such loans shall be offered to residential projects with good market potential. The project itself must have been issued with a land use rights certificate, Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permits.

2. In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") shall never exceed 80.0%. Where an individual applies for a home purchase loan to buy a pre-sale property, the said property must have achieved the phase of "topping-out of the main structure completed" for multi-storied buildings and "two-thirds of the total investment completed" for high-rise buildings.

3. In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60.0% with a maximum loan period of 10 years and the subject commercial flat already completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加强房地產信貸業務管理的通知) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

1. Property development loans should be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. For property developers with commodity houses of high vacancy rate and debt ratio, strict approval procedures shall be applied for their new property development loans and their activities shall also be in the focus of attention.

2. Commercial banks shall not grant loans to property developers to pay off land premium.

3. Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first instalment remains to be 20.0%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first instalment shall be increased.

4. When a borrower applies for mortgaged loan of individual commodity house, the Mortgage Ratio shall not be more than 60.0%. In addition, the term of loan may not be more than 10 years and the commodity house shall be duly completed and inspected.

In the Circular on Facilitating the Continuously Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) issued by the State Council in August 2003, a series of measures are implemented for the government to control the property market. They include, but are not limited to, strengthening the construction and management of affordable housing, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. In addition, the government also implemented a series of measures relating to the provision of loans for housing development. They include, but are not limited to, putting more effort at provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitor of property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating the continuous growth of the property market.

The PBOC and the CBRC jointly issued Notice on Strengthening Credit Management of Commercial Real Estate (關於加强商業性房地產信貸管理的通知) and the Supplemental Notice on Strengthening Credit Management of Commercial Real Estate (關於加强商業性房地產信貸管理的補充通知) (collectively, the "Notices") on 27 September 2007 and 5 December 2007 respectively. The Notices puts forward requirements on the titled subject matter, for the purposes of strengthening loan management in association with (i) real estate development, (ii) land reserve, (iii) housing consumption and (iv) purchase of commerce building, together with credit enquiry in real estate credit management, monitoring of real estate loan, risk management and so forth.

Pursuant to the Notices, Commercial banks shall not grant loans to, in any form, (i) project where its capital fund (owner's equity) constitutes a ratio less than 35.0%, or, project without land use right certificate, Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit; or (ii) real estate development enterprise that has been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Also, commercial banks are not allowed to either accept commodity building with a vacancy exceeding three years as collateral or grant to real estate development enterprise any sums of loans to serve as land grant premium.

Loans for Individual Housing Consumption

Commercial banks are only allowed to grant housing loans to individuals whose purchases are commodity buildings with topped-off main structures. Where an individual purchases the first set of commodity apartment for self residence purpose, (i) of a construction area is or below 90 sq.m., the initial payment ratio (the "Initial Ratio") shall be fixed at no less than 20.0% (including RMB and foreign currency loans, idem. hereinafter); (ii) of a construction area above 90 sq.m., the Initial Ratio shall be fixed at no less than 30.0%. Where an individual and his/her families (which would include husband and wife and their minor offspring) has purchased commodity apartment by means of such loan, and proceeds to purchase a second set (inclusive) or more, the Initial Ratio shall be no less than 40.0% and the interest rate shall not be under 110.0% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the Initial Ratio and the interest rate shall both multiply substantially with the increase with the sets of purchase and the increase percentage shall be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the repayment expense for housing loan per month shall not exceed 50.0% of the individual borrower's monthly income.

In respect of commerce building loan, commerce buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the Initial Ratio shall be no less than 50.0%, the loan term shall not exceed ten years and the interest rate shall not be under 110.0% of the benchmark interest rate as announced by the PBOC during same period and in same bracket, while the Initial Ratio, the loan term and the interest rate shall be determined by commercial banks, at their own discretion, according to principles of loan risk management. Where loan application is made in the name of "commerce and residence building", the Initial Ratio shall be no less than 45.0%; the loan term and the interest rate shall be arranged according to relevant regulations on loan management of commerce building.

According to the Circular on Widening the Floating Downward Range of Interest Rate for Commercial Individual Housing Loan (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) promulgated by the PBOC on 22 October 2008, with effect from 27 October 2008, the minimum rate for commercial individual housing loan has been decreased to 70.0% of the corresponding benchmark lending rate and the minimum amount of down payment has been adjusted to 20.0% of the purchase price. Financial institutions may give favourable terms for interest rate and down payment proportion for loan applications for first owner-occupied ordinary residential units or for the improvement of owner-occupied ordinary residential units. The financial institutions shall appropriately increase the requirements for loan application for non-owner-occupied, non-ordinary residential units. The requirement that the monthly repayment amount for housing loans shall not exceed 50.0% of the borrower's monthly income remains unchanged.

On 20 December 2008, the General Office of the State Council promulgated the Various Opinions on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見). Commercial banks shall, according to the principles and supervision requirements for credit, (i) increase credit support for the construction of small or medium-sized ordinary commodity properties at low or medium price, especially projects under construction; and (ii) provide financing support and relevant financial services for the projects relating to merger or reorganisation by competent and reputable real estate development enterprises.

On 7 January 2010, the General Office of the State Council promulgated the Notice on Promoting the Stability and Health of the Real Estate Market Development (關於促進房地產市場平穩健康發展的通知), which stipulates that:

1. purchase loans for the second house shall be strictly administered, and for the family (including the borrower, and the spouse and the minor offspring thereof) who have purchased one (or more) house(s) with the use of the loan and apply for the second (or above) house, down payment ratios of the loans shall not be lower than 40.0%, and the loan interest rates shall be fixed strictly based on risks;

2. the capital fund requirements for real estate projects shall be strictly implemented, loans are strictly prohibited to the real estate development enterprises or development projects which do not conform to the credit policy; and

3. the smallest scale set by a pre-sale permission of commodity house project shall be determined reasonably in the consideration of local actualities, and the pre-sale permission shall not be proceeded by floor or unit. Real estate development enterprises which have obtained pre-sale permissions shall put the sources of all houses sold into one-time publications within the time limits, and shall sell the houses strictly at the prices reported and definitely posted.

According to the Notice on the Second House Determining Standards in Regulating Commercial Loans for Personal Housing (關於規範商業性個人住房貸款中第二套住房認定標準的通知) promulgated on 26 May 2010 collectively by the MOHURD, the PBOC and the CBRC, the number of family houses for residents in commercial loans for personal housing shall be determined by the number of the complete sets of houses actually owned under the name of the family who plan to purchase (including the borrower, the spouse and the minor offsprings thereof, the same as below).

Lenders shall implement the Second (or above) House Differential Credit Policy towards borrowers if one of the below circumstances occurs:

(i) borrowers apply for house-purchase loans for the first time, if their family have registered one (or more) complete set(s) of house according to the housing registration information system (including the Pre-sale Contract Registration Recording System, the same as below) governing the areas where the houses to purchase locate;

(ii) borrowers having purchased one (or more) house(s) with the use of loans apply for house-purchase loans again; and

(iii) the lender positively believes the family of the borrower has already had one (or more) house(s) after due diligence search in forms of credit record reference, face-to-face test and face-to-face interview (residence visit if necessary).

Where non-local residents can provide local tax certificate or social insurance payment certificate for over one year in the application for housing loans, lenders shall implement the differential housing credit policy according to the third article of this notice. Where non-local residents cannot provide local tax certificate or social insurance payment certificate for over one year in the application for housing loans, lenders shall implement the Second (or above) House Differential Credit Policy; commercial banks may suspend housing loans, according to the risk status as well as relevant local government policies, to the areas in which the prices for commodity houses are too high or go up too fast, or the housing supply is too tight.

On 29 September 2010, the PBOC and the CBRC collectively promulgated the Notice on Improving the Differential Housing Loan Policy (關於完善差別化住房信貸政策有關問題的通知), pursuant to which:

1. All commercial banks shall cease to extend loans for purchase of the third or more house by resident family; and cease to extend housing loans to non-local resident who fails to provide local payment certificate of tax or social insurance of more than one year;

2. In the event of purchase of commodity house in use of loan, down payment ratio shall be adjusted to 30.0% and above; in the event of the family who purchase their second house in use of loan, the down payment ratio shall strictly not be lower than 50.0% and the loan ratio shall strictly not be lower than 110.0% of the bench mark interest rate;

3. All commercial banks shall reinforce the administration of consumer loan which shall not be used for house purchase; and

4. In the event of the real estate development enterprise which has the record against law or regulation in leaving land unused, altering land use and nature, postponing commencement and completion of construction and hesitating in selling houses so as to drive up prices, all commercial banks shall cease to grant loans to its new development project as well as extend loan term.

On 2 November 2010, the MOHURD, the MOF, the PBOC and the CBRC collectively promulgated the Notice on Regulating Housing Fund and Individual Housing Loan Policy (關於規範住房公積金個人住房貸款政策有關問題的通知), pursuant to which:

1. Speculation on house purchase in use of individual housing loan with housing fund is strictly prohibited;

2. As for purchase of the first owner-occupied ordinary house in use of individual housing loan with housing fund, where the dwelling floor area of the house is 90 sq.m. or below, the down payment of the loan shall not be less than 20.0%; where the dwelling floor area is more than 90 sq.m., the down payment ratio of the loan shall not be less than 30.0%;

3. As for the second house purchased in use of individual housing loan with housing fund, the down payment ratio shall not be less than 50.0%, and the loan interest rate shall not be less than 110.0% of that of the first house purchased in use of individual housing loan with housing fund during same period; and

4. Housing fund and individual housing loan shall be ceased to extend to the paying worker family for their purchase of the third or more house.

On 8 March 2011, the General Office of the CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management (中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知), pursuant to which:

1. After concluding an irrevocable written contract with a borrower, if the contract has come into effect, the banking financial institution must grant the individual housing loan as agreed to in the contract.

2. In principle, if a banking financial institution has accepted and approved a borrower's loan application and the borrower has unilaterally signed the individual housing loan contract in the interview process, the banking financial institution shall continue to sign the contract and follow the contractual stipulations after confirming that the contract has no legal flaw, the income is sufficient to cover the risk and it meets the conditions for loans.

3. In handling the individual housing loan business before the promulgation of 2011 Notice 1, banking financial institutions shall strictly observe the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities and the Notice on Improving the Differential Housing Loan Policy, and reasonably determine the proportion of down payment, loan interest rate, etc. in light of the risk status.

4. In handling the individual housing loan business after the promulgation of 2011 Notice 1, banking financial institutions shall proactively assist relevant departments in strictly implementing the policies of local governments on purchase restriction and properly communicate with them and make necessary explanations to them, in strict compliance with the provision that with respect to families that purchase second residential properties through loans, the down payment shall not be less than 60.0%, and the loan interest rate shall not be less than 1.1 times of the benchmark rate.

II Measures on Stabilising Housing Price

The General Office of the State Council promulgated the Circular on Stabilising Real Estate Price (關於切實穩定住房價格的通知) on 26 March 2005, requiring measures to be taken to prevent housing prices from increasing too fast and to promote the healthy development of the real estate market. The Opinions on Work of Stabilising Housing (關於做好穩定住房價格工作的意見) jointly issued by the MOC, the NDRC, the MOF, the MOLAR, the PBOC, the SAT and the CBRC on 30 April 2005 provides that:

1. Where the housing price grows too fast, while the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or-low-price ordinary commodity houses, before supplying the land, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the real estate authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be set up as preconditions of land transfer to ensure the supply of houses with medium or low price and houses with medium or small area. The local government must strengthen the supervision of planning permit for real estate development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

2. Where the price of land for residential use and residential housing grow too quickly, the proportion of land for residential use to the total land supply should be appropriately increased, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

The General Office of the State Council promulgated the Circular on Adjusting Real Estate Supply Structure and Stabilising Real Estate Price (關於調整住房供應結構穩定住房價格的意見) on 24 May 2006. There are some "must-meet" requirements that will affect residential property development companies and purchasers of residential properties in the PRC. The regulation stipulates that:

1. Commencing from 1 June 2006, for newly approved and developed commodity residential houses, the ratio of houses with a built up area of no more than 90 sq.m. should comprise at least 70.0% of the total construction area. If there are special situations existing in the municipality directly under the Central Government, or a city directly under State planning and provincial capital, the relevant developer should apply to the MOC for approving any adjustments on the above-mentioned ratio. For projects whose developers have already obtained the approval without the Construction Works Commencement Permit, should the ratio of houses with a built up area of no more than 90 sq.m. fall short of the above-mentioned ratio, the developer should adjust the ratio to satisfy the new requirements.

2. Commencing from 1 June 2006, if the purchaser transfers the residential house within five years of the date of purchase, business tax will be levied on the basis of the sales income on the residential house; if the person transfers the common residential house after five years from the date of purchase, no business tax will be levied; and if the person transfers the uncommon residential house after five years from the date of purchase, business tax will be levied on the difference between the sale income of the residential house and the original purchase price.

3. Commencing from 1 June 2006, the initial payment for the personal housing mortgage loan shall be at least 30.0% of the total purchase price of the house. If the person purchases a house with a built up area of no more than 90 sq.m. for his/her own residence, the initial payment must be at least 20.0% of the total purchase price of the house.

4. No mortgage may be created over a residential property which has been vacant for more than three years.

5. High land idle fees will be levied for land left idle for more than one year and land use rights of land left idle for more than two years will be taken back.

On 29 December 2008, the MOF and the SAT jointly issued the Circular Concerning Business Tax on Personal Real Estate Transfer (關於個人住房轉讓營業稅政策的通知), according to which, from 1 January 2009 to 31 December 2009, business tax shall be levied on the entire sale price of any non-ordinary residential house sold within two years of its purchase or on the difference between the sale income of the residential house and the original purchase price for any transfer of non-ordinary residential house after two or more years of its purchase or ordinary residential house within two years of its purchase, while business tax would be exempted for the transfer of any ordinary residential property after two years from the date of purchase.

On 22 December 2009, the MOF and the SAT collectively promulgated a Notice on Adjusting the Business Tax Policy of Housing Transfer by Individuals (關於調整個人住房轉讓營業稅政策的通知), pursuant to which, with effect from 1 January 2010, the resale lock-up period for a property has returned to its original five years, that is, business tax shall be levied on the entire sale price of any non-ordinary residential house sold within five years since its purchase or on the difference between the sale income and the original purchase price for any transfer of non-ordinary residential house after five or more years of its purchase or ordinary residential house within five years since its purchase. The Circular concerning Business Tax on Personal Real Estate Transfer promulgated on 29 December 2008 was abolished.

On 27 January 2011, the MOF and the SAT promulgated the Notice on Adjusting the Business Tax Policies on Individual Housing Transfer (關於調整個人住房轉讓營業稅政策的通知). The notice provides, effective from 28 January 2011, that where any individual sells residential housing within five years of its purchase, the business tax thereon shall be collected on the full sale price; where any individual sells non-ordinary residential housing more than five years (including the 5th year) after its purchase, the business tax thereon shall be collected on the basis of the difference between the sale price and the original purchase price; where any individual sells an ordinary housing unit more than five years (including the 5th year) after its purchase, it shall be exempted from business tax. Notice on Adjusting the Business Tax Policy of Housing Transfer by Individuals promulgated on 22 December 2009 was abolished.

In accordance with the Notice on the Deed Tax Policy for the First-Time Ordinary House Purchase (關於首次購買普通住房有關契稅政策的通知) promulgated on 9 March 2010 jointly by the MOF and the SAT, the deed tax preferential policy for the first-time ordinary house purchase does not apply to the joint purchasers where two or more people jointly purchase an ordinary house of 90 sq.m. or less and at least one of them has been recorded for house purchase.

On 17 April 2010, the State Council promulgated the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (關於堅决遏制部分城市房價過快上漲的通知), pursuant to which:

1. The down payment ratio of the loan shall not be lower than 30.0%, where the family (including the borrower, the spouse and the minor offspring thereof, the same as below) purchase their first house of which the construction area of the dwelling size is more than 90 sq.m.; the down payment ratio shall not be lower than 50.0%, and the loan interest rate shall not be lower than 1.1 times of the benchmark interest rate, where the family purchase the second house with the use of the loan; the down payment ratios and the loan interest rates shall be increased in large scale, which are determined independently by commercial banks according to the principal of risk management, where the family purchase the third (or above) house;

2. Commercial banks may suspend housing loans for the purchase of the third or above house, according to the risk status, to the areas in which prices for commercial residential housing are too high or go up too fast, or the housing supply is too tight; and suspend the housing loans for the non-residents who cannot provide local tax certificate or social insurance payment certificate for over one year. The local people's governments may take temporary measures, on the basis of actualities, to limit the number of houses for purchase in certain period;

3. Enterprises which violate laws or regulations are restricted to purchase new lands; state-owned enterprises and state-holding enterprises, which are not mainly doing business in real estate, are strictly prohibited to engage in commercial land development and real estate business; commercial banks shall not extend loans to new development projects where the real estate development enterprises set aside lands and engage in land speculation; and

4. For the real property development projects which have obtained pre-sale permits or gone through the sale recording process for completed houses, sources of all houses sold shall be put into one-time publications within the time limits, and shall be sold strictly at the prices reported and definitely posted.

On 13 February 2011, the General Office of Nanning City Government promulgated the Circular on Implementing the Home-Buying Restrictions (南寧市人民政府辦公廳關於貫徹執行住房限購措施有關問題的通知), pursuant to which:

1. The policy of limiting the number of houses to be purchased shall be temporarily carried out in urban areas of the city;

2. Each city resident family (including the purchaser, the spouse and the minor offspring thereof) that has already owned one property or each non-resident family that can provide a local tax certificate or social insurance payment certificate for over one year is limited to purchasing one property (including newly-built commercial units and second-hand residential units);

3. A resident family (including the purchaser, the spouse and the minor offspring thereof) that has already owned two or more properties, the non-resident family who have already owned one or more properties, or the non-resident family that cannot provide local tax certificate or social insurance payment certificate for over one year is prohibited from purchasing properties in the city; and

4. The validity period of the such circular is from 1 March 2011 to 29 February 2012.

The Notice of General Office of Nanning People's Government on Further Improving the Control Work of Real Estate Market (南寧市人民政府辦公廳關於進一步做好房地產市場調控工作的通知) was promulgated and implemented on 24 March 2011, which stipulates:

1. In 2011, the increase in the price of newly-developed residential properties in Nanning has to be compatible with the growth rate of the average affordable income and be within the increase in GDP of Nanning City.

2. After confirming, the authority of housing, plan, land, municipal and rural construction shall prohibit the developing enterprise and its controlling shareholders from taking part in the land bidding activities in Nanning, where the enterprise is detected and verified to have committed the following behaviour which is against laws and regulations:

   (i) leaving land idle;

   (ii) altering the land use and form without approval;

   (iii) delay of the time of project start and completion;

   (iv) property hoarding; and

   (v) forcing up the house price.

3. Where the real estate developer delays the commencement of development date of the real estate land more than two years, the authority shall take back the land use right and impose a fine on idle over one year. The real estate developer shall not transfer the land and the developing project agreed in the contract, if the investment of the real estate developing construction does not reach 25.0% or more.

4. Where individual purchases ordinary house which would be the only house of the family (including the customer, the spouse and the minor offspring thereof, same as below), the applicable deed tax shall be deducted by fifty percent. Where individual purchases ordinary house of ninety square metres or below which would be the only house of the family, the applicable deed tax shall be one percent. Where any individual sells residential housing within five years of its purchase, the business tax thereon shall be collected on the full sale price. The

minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60.0% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC.

5. The real estate developer shall report the price of each house truthfully when applying commercial housing pre-sale permission, and publicly pre-sell all the houses within 10 days from the day obtaining Pre-Sales Permit. The developer shall not pre-sell by stages and by groups. The real estate developer shall pre-sell the houses strictly at the prices reported and definitely posted and show the price to all the purchasers in the selling place.

The Notice of Nanning Housing Guarantee and House Administrative Bureau on Implementing the Measures of House Purchasing Limitation (南寧市住房保障和房地產管理局關於執行住房限購措施有關問題的通知) was promulgated and implemented on 11 April 2011, which stipulates:

1. Where non-residents of Nanning live with Nanning residential offspring and have no residential house in Nanning and the family of their offspring own no more than one house, these non-residents can only purchase one residential house with the certification of the relationship between parents and offspring.

2. The non-residential olds can only purchase one residential house with valid identification certificate and the certification of living in Nanning at least one year.

3. Residents of non-immediate relatives who have the house community ownership right, shall be deemed as each resident owning one residential house.

4. Adult resident of Nanning who owns no more than two residential houses with the adult immediate relatives (exclusive of the spouse) and does not have the house with the complete ownership right can only purchase one residential house.

5. Adult non-resident of Nanning who owns no more than one residential house together with the adult immediate relatives (exclusive of the spouse) and does not have the house with the complete ownership right can only purchase one residential house.

The residential family or individual who has already had the Nanning house guarantee of low-price renting house and public renting house cannot purchase other commercial residential houses before going through the formalities of abandoning the house guarantee according to the relevant regulations.

On 12 July 2011, the executive meeting of the State Council passed new deployment of adjustment to the real estate industry which explicitly required the continuity of strict implementation of differentiation housing consumer credit policy, tax policy, house purchases restriction policy, and the curbing of speculative and investment house purchasing, so as to reasonably guide housing needs. Furthermore, the cities which have implemented the house purchase restriction policy shall continue the implement of relevant policies, those second-tier and third-tier cities that witness excessive property price growth shall also employ the necessary house purchases restriction policy.

On 17 August 2011, the MOHURD announced Five Guidelines for New City Implementing House Purchase Restriction (住房城鄉建設部公佈新增限購城市5項建議標準) to help local governments evaluate which cities should have house purchases restrictions applied. The guidelines are: (a) high growth rate of newly constructed house increase price index either calculated on the year-on-year basis of the State Statistics Bureau's data in June or the month-on-month basis; (b) the average price exceed the growth rate of the end of last year or close to the control price; (c) the turnover growth rate is comparatively high between January and June; (d) located around the cities have implemented the house purchases restrictions with numerous non-local residents' purchase; (e) with excessive property price growth, loose adjustment and control policy, which caused the strong response of the society. According to the MOHURD, if a city meets/exceeds any two of the five listed guidelines, it is suggested to be placed on the new round of purchase restriction cities list. Localities may revise the standard according to their actual situations.

On 24 February 2012, the General Office of Nanning City Government promulgated the Circular on Continuing Implementing the Home-Buying Restrictions (南寧市人民政府辦公廳關於繼續執行住房限購措施的通知), pursuant to which:

1. The policy of limiting the number of houses to be purchased shall be continuously carried out in urban areas of the city from 1 March 2012;

2. Each city resident family (including the purchaser, the spouse and the minor offsprings thereof) that has already owned one property or each non-resident family that can provide a local tax certificate or social insurance payment certificate for over one year is limited to purchasing one property (including newly-built commercial units and second-hand residential units);

3. A resident family (including the purchaser, the spouse and the minor offsprings thereof) that has already owned two or more properties, the non-resident family who have already owned one or more properties or the non-resident family that cannot provide local tax certificate or social insurance payment certificate for over one year is prohibited from purchasing properties in the city.

III Major Taxes Applicable to Real Estate Developers

Business Tax

Pursuant to the Interim Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council in December 1993 and amended in November 2008, the tax rate of the transfer of immovable properties, buildings and other attachments to land is 5.0%.

Land Appreciation Tax

Pursuant to the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the ''Provisional Regulations'') promulgated by the State Council on 13 December 1993 and effected on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則) (the "Detailed Implementation Rules") which was promulgated and effected on 27 January 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to land appreciation tax. Land Appreciation Tax is calculated based on a 4-band excess progressive tax rate: for the portion with appreciation not exceeding 50.0% of the deductible amount, the applicable tax rate is 30.0%; the applicable tax rate for the portion with appreciation exceeding 50.0% but not exceeding 100.0% of the deductible amount is 40.0%; the applicable tax rate for the portion exceeding 100.0%, but not exceeding 200.0% of the deductible amount is 50.0%; the applicable tax rate for the portion exceeding 200.0% of the deductible amount is 60.0%. The related deductible items aforesaid include the following:

— amount paid for obtaining the land use right;

— costs and expenses for development of land;

— costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

— related tax payable for transfer of property; and

— other deductible items as specified by the MOF.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the Notice issued by the MOF in respect of the Levy and Exemption of Land Appreciation Tax to the Real Estate with Development and Transfer Contracts signed before 1 January 1994 (關於對一九九四年一月一日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) which was announced by the MOF on 27 January 1995, Land Appreciation Tax shall be exempted under any one of the following circumstances:

(1) Taxpayers constructing ordinary standard residences for sale (i.e. residences built in accordance with the local standard for general civilian-use residential properties, deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences), where the appreciation amount does not exceed 20.0% of the sum of deductible items;

(2) Real estate taken over and repossessed according to laws due to the construction requirements of the State;

(3) Due to re-deployment of work or improvement of living standard, individuals transferring residential property which such individuals have been living in for five years or more, after obtaining tax authorities' approval;

(4) Real estate transfers which were signed before 1 January 1994, regardless of when the properties were transferred; or

(5) Either when the real estate development contracts were signed or when the project proposal has been approved before 1 January 1994 and that capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred within five years after 1 January 1994 for the first time. The date of signing the paid land transfer agreement shall be the date of signing the contract. Particular real estates projects which are approved by the government for the development of the whole piece

of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by MOF and SAT, the tax-free period would then be appropriately prolonged.

On 24 December 1999, the MOF and the SAT issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) that extended the period for the Land Appreciation Tax exemption policy as mentioned in paragraph (5) hereinabove to the end of 2000. The Notice had been abolished on January 2003.

The SAT also issued the Notice in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to request local tax authorities (i) to modify the management system of Land Appreciation Tax collection and operation details; (ii) to build up a sound taxpaying declaration system for Land Appreciation Tax; and (iii) to modify the methods of pre-levying for the pre-sale of real estates. That notice also pointed out that for real estate development contracts which were signed, or where the project proposal was approved, before 1 January 1994 and capital has already been injected for development, the Land Appreciation Tax exemption for properties which are transferred within five years from 1 January 1994 for the first time would expire, and such tax shall be levied again.

According to the Circular on Several Issues of the Levy and Administration of Land Appreciation Tax (關於土地增值稅若干徵管問題的通知) promulgated jointly by the SAT and the State Land Administration Bureau on 10 January 1996 and the Circular on Issues related to the Administration and Levy of the Land Appreciation Tax (關於土地增值稅徵收管理有關問題的通知) promulgated by the SAT and the MOC in April 1996, the taxation authorities all over the country should establish a whole system of the levy and administration of the Land Appreciation Tax in accordance with the related regulations and the above two circulars.

On 28 December 2006, the SAT issued the Notice to Regulate the Land Appreciation Tax Settlement of Real Estate Development Enterprise (關於房地產開發企業土地增值稅清算管理有關問題的通知) (the "Notice"), which further regulates the settlement procedures and conditions of Land Appreciation Tax, and stipulates that Land Appreciation Tax shall be settled on a project basis or, for development projects which are developed in phases, on a phase by phase basis. The Notice also stipulates that the Land Appreciation Tax for ordinary standard residences and non-ordinary residences shall be determined differently.

The Notice stipulates that real estate development enterprises shall settle Land Appreciation Tax where:

(i) the construction and sale of the real estate project is completed;

(ii) a real estate project which has not been completed and on which settlement of Land Appreciation Tax has not been conducted is transferred; and

(iii) the land use right is transferred directly.

In addition, the relevant PRC tax authority may require a real estate development enterprise to settle the Land Appreciation Tax in the following circumstances:

(i) The real estate project has passed completion inspection, the aggregate GFA which has been transferred has exceeded 85.0% of the aggregate sellable GFA, or, where such proportion is less than 85.0%, the remaining sellable GFA has been leased or reserved for self-use;

(ii) The real estate development enterprise has obtained and held the Pre-Sales Permit for three years and has not completed the sales of the real estate project;

(iii) The real estate development enterprise has applied to revoke its tax registration before settling the Land Appreciation Tax; and

(iv) In any other circumstances stipulated by the relevant provincial tax authorities.

Where the real estate development enterprise utilises its properties for the purpose of staff welfare, award, investment, allotment to shareholders, etc., which results in the transfer of property ownership, Land Appreciation Tax shall be levied accordingly. However, if the real estate development enterprise reserves some of the properties for its own use, for lease or other commercial purposes, and the property ownership remains unchanged, Land Appreciation Tax shall not be levied.

If a real estate development enterprise transfers its properties after it has settled the Land Appreciation Tax, it shall also be required to declare and pay Land Appreciation Tax accordingly.

Any real estate development enterprises, where falling within any following circumstances, shall be levied for Land Appreciation Tax with the assessment-based levy rate not lower than the pre-levy rate, determined by the tax authorities according to the Land Appreciation Tax burden of local enterprises with similar development scale and earning level as such real estate development enterprise:

(i) Fail to set up the book of accounts as required under the laws and regulations;

(ii) Destroy the book of accounts without authorization or refuse to provide tax payment documents;

(iii) Having set up the book of accounts while it is difficult to determine the transfer income or deduction amounts due to the accounts confusion or incomplete cost data, income certificate or expense voucher;

(iv) Complying settlement conditions of Land Appreciation Tax while fail to handle settlement procedures within prescribed time limit and fail to settle within time limit as ordered by tax authorities; or

(v) File the obviously much lower taxation basis without reasonable ground.

All provincial tax authorities may stipulate specific settlement administration regulations according to abovementioned notice and the local actual status.

Pursuant to the Administration Regulation on Settlement of Land Appreciation Tax (土地增值稅清算管理規程) promulgated by SAT on 12 May 2009, during the settlement of Land Appreciation Tax, if the tax payer is found to be complied with the condition of levy on assessment basis, such tax payer shall be levied Land Appreciation Tax for its real estate project on assessment basis. For those projects developed in phases, the same settlement method shall be adopted to all phases.

On 25 May 2010, the Notice on Strengthening the Collection of Land Appreciation Tax (關於加强土地增值稅徵管工作的通知) was promulgated by the SAT, stipulating that:

(i) To give full play to the adjusting role of the land added-value tax at the pre-levy stage, tax authorities at all places shall adjust the present pre-levy rates. Except for the indemnificatory housing, the pre-levy rates shall not be lower than 2.0% in the eastern provinces, not lower than 1.5% in the central and the north-eastern provinces, and not lower than 1.0% in the western provinces. All places shall determine proper pre-levy rates on the basis of the different types of real properties (division of areas shall be governed by relevant documents of the State Council).

(ii) In order to regulate the assessment work, the assessment-based levy rate shall not be lower than 5.0%, as is the general rule. All provincial tax authorities shall, according to the local actualities, formulate assessment-based levy rates for different types of real property.

Deed Tax

Pursuant to the Interim Regulations of the PRC on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3.0% — 5.0%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the MOF and the SAT for the record.

On 29 September 2010, the MOF, the SAT and the MOHURD collectively issued the Notice on Adjustment in Preferential Policy on Deed Tax and Personal Income Tax arising from Real Estate Transactions (關於調整房地產交易環節契稅、個人所得稅優惠政策的通知), according to which:

1. Where individual purchases ordinary house which would be the only house of the family (including the purchaser, and the spouse and the minor offspring thereof, same as below), the applicable deed tax shall be deducted by fifty percent; where individual purchases ordinary house of ninety square metres or below which would be the only house of the family, the applicable deed tax shall be one percent;

2. The abovementioned preferential policy does not apply where the ordinary house purchased by individual does not meet the above requirements;

3. No deduction of personal income tax shall apply again where the tax payer sells his own house and then purchases another house within one year.

Land Use Tax

Pursuant to the Interim Regulations of the PRC on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. According to the Notice on the Non-Application of Land Use Tax on the Land Used by Foreign-Invested Enterprises and Organisations of Foreign Enterprises Set Up in the PRC (關於對外商投資企業和外國企業在華機構的用地不徵收土地使用稅的通知) issued by the MOF on 2 November 1988, land use tax is not applicable to land used by foreign-invested enterprises and organisations of foreign enterprises set up in the PRC. On 31 December 2006, the State Council amended the Interim Regulations of the PRC on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例), which stipulated that commencing from 1 January 2007, the land use tax shall be applicable to all foreign investment enterprises and foreign enterprises that use land in the PRC, and the annual land use tax rate shall be revised to a higher rate but within the ranges as set out below:

Metropolis	:	RMB1.5 per sq.m. to RMB30.0 per sq.m.
Medium-sized city	:	RMB1.2 per sq.m. to RMB24.0 per sq.m.
Small city	:	RMB0.9 per sq.m. to RMB18.0 per sq.m.
Town, county	:	RMB0.6 per sq.m. to RMB12.0 per sq.m.

The provincial government shall determine the applicable tax rate within the foregoing criteria.

Buildings Tax

Under the Interim Regulations of the PRC on Buildings Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council in September 1986, buildings tax shall be 1.2% calculated on the basis of the original value of a building discounted by 10.0% to 30.0%, and 12.0% of the rent proceeds if the building is leased. The non-business use individual owned real estate is exempt from the building tax.

Stamp Duty

Under the Interim Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council in August 1988, stamp duty shall be levied at the rate of 0.05% of the amounts stated therein for all building transfer instruments, including those relating to property ownership transfers; stamp duty shall be levied on a per-item basis at an annual rate of RMB5.0 per item for permits and certificates relating to rights, including real estate title certificates and land use rights certificates.

Municipal Maintenance Tax

Under the Interim Regulations of the PRC on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council in February 1985, any taxpayer, whether an individual or otherwise, subject to or paying product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7.0% for a taxpayer whose domicile is in an urban area, 5.0% for a taxpayer whose domicile is in a county and a town, and 1.0% for a taxpayer whose domicile is not in any urban area or county or town.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council in April 1986 (lastly revised by the State Council in August 2005), any taxpayer, whether an individual or otherwise, subject to or paying product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is required instead to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知) which was promulgated on 13 December 1984. Education surcharge was calculated and levied at a rate of 2.0% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer before 1 October 2005. After 1 October 2005, education surcharge shall be calculated and levied at a rate of 3.0% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer.

On 18 October 2010, the State Council promulgated the Notice on the Unification of Systems of Municipal Maintenance Tax and Educational Surcharge Imposed Upon Domestic-Invested Enterprise, Foreign-Invested Enterprise and Individual (關於統一內外資企業和個人城市維護建 設稅和教育費附加制度的通知), pursuant to which, from 1 December 2010 on, the systems of municipal maintenance tax and educational surcharge imposed upon domestic-invested enterprise, foreign-invested enterprise and individual shall be unified, municipal maintenance tax and educational surcharge shall start to be imposed upon foreign-invested enterprise, foreign enterprise and foreign individual.

Tax on Adjustment of Fixed Asset Investment Orientation

Under the Interim Regulations of the PRC on Tax on Adjustment of Fixed Asset Investment Orientation (中華人民共和國固定資產投資方向調節稅暫行條例) promulgated by the State Council in April 1991, the tax rate shall be 5.0% in the case of general residential housing (including commodity housing), and 30.0% in the case of villa-styled residential housing.

Corporate Income Tax

Pursuant to the Interim Regulations of the Corporate Income Tax of the PRC (中華人民共和國企業所得稅暫行條例) promulgated by the State Council in December 1993, State-owned enterprise, collective-owned enterprise, private enterprise, coordinated enterprise, share-issuing enterprise and other organisations within the territory of the PRC which have production and management income or other income, are taxpayer of the corporate income tax. The corporate income tax rate is 33.0%.

Pursuant to the Interim measures of Corporate Income Tax Levied upon Deemed Income (核定徵收企業所得稅暫行辦法) promulgated by the SAT and implemented on January 2000, corporate income tax on deemed income shall be levied in the following situations: 1) where it is not necessary to set up any account books or where account books should be set up but are not set up in accordance with the rules and regulations of the tax revenue; 2) where it is possible to only check and verify gross income accurately or where it is possible to check and verify gross income but not possible to check and calculate compute cost expenditure accurately; 3) where it is only possible to check and calculate cost expenses expenditure or where it is possible to check and verify cost expenses expenditure but not possible to check and calculate gross income accurately; 4) where it is not possible to check and calculate gross income and cost expenses expenditure correctly, and provide true, accurate and intact materials of tax payment and compliance to the authority in charge; 5) where accounts have been set up in compliance with applicable regulations but relevant account book, evidence and relevant tax payment materials cannot be saved according to regulations; or 6) The obligation to pay tax arises but the taxpayer does not handle the tax application according to the time limits of the rules and regulations or upon the tax authority's order of tax application within a definite time period, the taxpayer does not apply on the expiration of the time limit. Taxpayers subject to this regime shall not benefit from any preferential policies in relation to corporate income tax. Provincial tax bureaus, as well as tax bureaus of autonomous regions, municipalities directly under the Central Government and cities under direct planning of the state may implement this regulation, combine the actual local conditions, make the concrete implementing method and submit to the SAT for record.

Pursuant to Income Tax Law of Foreign-investment Enterprises and Foreign Enterprises of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) promulgated by the NPC in April 1991 and Implementing Rules of the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法實施細則) promulgated by the State Council, which came into effect on 1 July 1991 (collectively, the "FIE Income Tax Law"), productions, management income and other incomes of foreign-investment enterprises and foreign enterprises within the territory of the PRC shall pay income tax. For foreign investment enterprises and foreign enterprises engaged in production and management within the territory of the PRC, income tax is calculated at a rate of 30.0% of its taxable income volume, local income tax is calculated at a rate of 3.0% of its taxable income volume. Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological zones may pay income tax at a reduced rate of 15.0%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income taxes at a reduced rate of 24.0%. A reduced income tax rate of 15.0% may apply to enterprises located in such regions and which are engaged in energy, communication, harbour, wharf or other projects encouraged by the State. Losses incurred in a tax year may be carried forward for not more than five years. Foreign enterprises not yet set up the organisation or place within the territory of the PRC, but are generating income obtained from profit, interest, rent, royalty special permission and other income generated within the territory of the PRC, or set up organisation or place, but the above-mentioned income has no actual connection with the organisation and place, such enterprises are subject to taxes at a rate of 20.0%.

Pursuant to the Notice of Allowed Reduce Income Tax of Foreign Enterprise's Interest Source From the Territory of the PRC (關於外國企業來源於我國境內的利息等所得減徵所得稅問題的通知) promulgated by the State Council in November 2000 (implemented on 1 January 2000), since 1 January 2000, for the foreign enterprises has not set up organisation or place within the territory of the PRC, its interest, rent, royalty for the right of special permission and other incomes obtained from the PRC; or which have an organisation or place, but above-mentioned incomes have no actual connection with its organisation or place, will pay corporate income tax at a reduced rate of 10.0%. The profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC tax according to (i) the FIE Income Tax Law and (ii) the Notice Relating to Taxes Applicable to Foreign Investment Enterprises, Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains Obtained from Holding and Transferring of Shares (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知), promulgated by the SAT on 21 July 1993.

In March 2007, the NPC adopted the Enterprise Income Tax Law (企業所得稅法) (the "New Income Tax Law"), which became effective on January 1 2008. Under the New Income Tax Law, a unified enterprise income tax rate is set at 25.0% for both domestic enterprises and foreign-invested enterprises, with the exception of those enterprises who enjoy the preferential tax according to the laws and regulations. However, there would be a five-year transition period for enterprises currently enjoying a preferentially lower income tax rate under the current tax laws and administrative regulations. In addition, under the New Income Tax Law, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in the PRC are treated as "resident enterprises" for PRC tax purposes, and is subject to PRC income tax on their worldwide income. While at the same time the New Income Tax Law also addresses the following enterprise income including but not limited to the followings, shall be exempted from income tax: (1) income from equity investment income such as dividend and bonus between qualified resident enterprises, (2) income from equity investment such as dividend and bonus obtained from resident enterprises by non-resident enterprises that have set up institutions or offices in the PRC with an actual relationship with such institutions or offices. On 6 December 2007, the Implementation Rules on the Enterprise Income Tax Law (企業所得稅法實施條例) was promulgated by the State Council and came into force on 1 January 2008.

According to New Income Tax Law and its implementing regulations, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10.0% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign investment enterprises and their investors.

ENVIRONMENTAL PROTECTION

According to the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例), which became effective on 29 November 1998:

- a construction unit shall submit the Report on Environmental Impact of Construction Project (建設項目環境影響報告書), the Report Form on Environmental Impact of Construction Project (建設項目環境影響報告表) or the Registration Form on Environmental Impact of Construction Project (建設項目環境影響登記表) during the feasibility study of a construction project. The construction unit shall submit the Report, Report Form or Registration Form to the relevant PRC governmental authority responsible for environmental protection for examination and approval. The relevant PRC governmental authority responsible for environmental protection shall issue the decision in writing with 60 days from the date of receipt of the Report on Environmental Impact of Construction Project, 30 days from the date of receipt of Report Form on Environmental Impact of Construction Project or 15 days from the date of receipt of the Registration Form on Environmental Impact of Construction Project.

- Upon the completion of the construction of a project, the construction unit shall apply for completion and acceptance on the environmental protection facilities for the project from the relevant PRC governmental authority responsible for environmental protection which approved the Report on Environmental Impact of Construction Project, the Report Form on Environmental

Impact of Construction Project or the Registration Form on Environmental Impact of Construction Project. The application for completion and acceptance on the environmental protection facilities shall be proceeded at the same time as the application for completion and acceptance on the main body of the construction project.

According to the Measures of Administration on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法), which became effective on 1 February 2002, amended on 22 December 2010, the completion of construction project and acceptance on the environmental protection means that the relevant PRC governmental authority responsible for environmental protection shall, according to the Measures, examine as to whether the construction project has satisfied the requirements on environmental protection by way of, inter alia, on-spot inspection and on the basis of supervised or research result of acceptance on environmental protection, The scope of the acceptance on environmental protection covers (i) the respective environmental protection facilities in relation to the construction project, including the constructions, facilities, equipments, supervision measures and various ecological protection facilities for the pollution prevention and environmental protection; and (ii) any other environmental protection measures provided in the Report on Environmental Impact of Construction Project, the Report Form on Environmental Impact of Construction Project or the Registration Form on Environmental Impact of Construction Project.

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), which became effective on 26 December 1989, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and damage caused to the environment. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council.

According to the Law of the PRC on Appraising of Environment Impact (中華人民共和國環境影響評價法) which came into effect on 1 September 2003, the PRC Government has set up a system to appraise the environmental impact of construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of environmental impact. If a construction project may result in a material impact on the environment, an environmental impact report is required, which thoroughly appraises the potential environmental impact. If the construction project may result in a slight impact on the environment, an environmental impact report of analysing or appraising the specific potential environmental impact is required; and if the construction project may result in very little impact on the environment, an environmental impact appraisal is not required but an environmental impact form shall be filed. The report for registration shall be approved by the relevant PRC authority before construction commences.

The Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the PRC on Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) govern the prevention, control, supervision and management of the discharge of air pollution, waste water, noise and the disposal of solid waste.

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in appendix VII to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 23 November 2012. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) *Financial assistance to purchase shares of the Company or its holdings company*

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in anyway interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and

(hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) *Qualification shares*

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) **Alterations to constitutive documents**

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) **Alterations of capital**

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) **Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) **Special resolutions - majority required**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days has been given.

(f) **Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the GEM Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) **Requirements for annual general meetings**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) **Accounts and audit**

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) **Notices of meetings and business to be conducted thereat**

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) **Transfer of shares**

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) **Power for the Company to purchase its own shares**

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) **Power of any subsidiary to own securities in the Company**

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) **Corporate representatives**

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) **Calls on shares and forfeiture of shares**

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) **Inspection of register of members**

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) **Inspection of register of Directors**

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) **Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) **Procedures on liquidation**

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) **Untraceable members**

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) **Stock**

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) **Other provisions**

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law;

(iv) in writing off

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) **Redemption and Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such Shares in the name of the company as treasury Shares prior to the purchase or redemption on cancellation, the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) **Dividends and distributions**

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) **Accounting and auditing requirements**

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) **Taxation**

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) **Stamp duty**

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) **Inspection of corporate records**

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) **Winding up**

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrars of Companies and available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 February 2011.

The Company has been registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company and the principal place of business in Hong Kong is at Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. In compliance with the requirements of the Companies Ordinance, Dr. Elaine Eick, our executive Director, of Flat 22B, The Royal Court, 3 Kennedy Road, Hong Kong has been appointed as the Company's agent for the acceptance of service of process and any notice required to be served on the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, the Company is subject to the Cayman Islands law. The Company's constitution comprises a memorandum of association and the Articles. A summary of the relevant law and regulations of the Cayman Islands and of the constitution is set out in Appendix V to this prospectus.

2. Changes in share capital of the Company

(a) ***Change in authorised share capital***

(i) As of the date of incorporation of the Company on 18 February 2011, the authorised share capital was HK$200,000 divided into 2,000,000 shares having a par value of HK$0.10 each. Upon incorporation, one Share was allotted and issued, nil paid, to the subscriber, which was transferred to First Beijing on the same day. The one nil-paid Share referred to in this paragraph was subsequently paid up in the manner described in paragraph 4 below.

(ii) On 23 November 2012, the authorised share capital of the Company was increased from HK$200,000 to HK$100,000,000 by the creation of 998,000,000 new Shares.

(iii) Immediately following completion of the Placing and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK$100,000,000 divided into 1,000,000,000 Shares, of which 300,000,000 Shares will be issued fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued.

(b) ***Founder shares***

The Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in the paragraphs headed "Resolutions in writing of the Shareholders passed on 23 November 2012 and 29 November 2012" and "Group reorganisation" of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

3. **Resolutions in writing of the Shareholders passed on 23 November 2012 and 29 November 2012**

Written resolutions were passed by the Shareholders on 23 November 2012 and 29 November 2012 pursuant to which, among other matters:

(a) the Company approved and adopted the Articles;

(b) conditional on (aa) the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Placing Price having been duly determined by the signing of the price determination agreement; and (cc) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before such date as may be specified in the Underwriting Agreement:

(i) the Placing and the grant of the Offer Size Adjustment Option by the Company were approved and the Directors were authorised to (aa) allot and issue the Placing Shares pursuant to the Placing and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option; (bb) implement the Placing and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Placing and the Listing with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share option scheme" of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to capitalise HK$12,500,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 125,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 23 November 2012 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company and so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme, or under the Placing or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of the Company to purchase Shares on GEM or on any other stock exchange on which the securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

(c) the form and substance of each of the service agreements made between the executive Directors with us, and the form and substance of each of the appointment letters made between each of the independent non-executive Directors with us were approved.

4. **Group reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM which involved the following major steps:

(a) on 8 November 2010, Global Touch was incorporated in the BVI as a BVI business company with 50,000 authorised shares of US$1.00 each. On 10 December 2010, an aggregate of 100 shares of US$1.00 each were allotted and issued as fully paid at par by Global Touch, as to 40 shares to First Beijing, 40 shares to Ease Gain and 20 shares to Chosen Leader;

(b) on 23 December 2010, the 3% registered capital in WTS Real Estate in the sum of RMB300,000 held by Mr. He Hao (何好) on trust for Yu Feng Real Estate was transferred by Mr. He Hao (何好) to Yu Feng Real Estate at nil consideration;

(c) on 18 February 2011, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of HK$200,000 divided into 2,000,000 Shares. On the same day, one Share was allotted and issued, nil paid, to the subscriber. The one nil-paid Share was transferred by the subscriber to First Beijing on the same day;

(d) on 30 January 2011, an aggregate of 60% registered capital in Guiping Yu Feng in the total sum of RMB4,800,000 was transferred, as to 40% by Yu Feng Real Estate to Mr. Liu Yuan Qiang (劉元強) (11%) and Mr. Pan Guo Jian (潘國健) (29%), and as to 20% by Mr. Huang Li Shan (黃立山) to Mr. Pan Guo Jian (潘國健), the transferees are Independent Third Parties, for cash at a total consideration of RMB4,182,127.01 (as to approximately RMB2,788,084.67 to Yu Feng Real Estate and as to approximately RMB1,394,042.34 to Mr. Huang Li Shan (黃立山));

(e) on 16 December 2010, the authorised share capital of Leepark Holdings was increased from HK$10,000 to HK$1,000,000 by the creation of 990,000 shares of HK$1.00 each. On the same day, the newly created 990,000 shares of HK$1.00 each were allotted and issued to Global Touch for cash at par;

(f) on 31 December 2010, Global Touch acquired from Dr. Lee, Mrs. Lee and Dr. Elaine Eick 4,000 shares, 4,000 shares and 2,000 shares respectively of HK$1.00 each in the issued share capital of Leepark Holdings in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,200 shares of US$1.00 each in its capital, as to 480 shares to First Beijing (at the direction of Dr. Lee), 480 shares to Ease Gain (at the direction of Mrs. Lee) and 240 shares to Chosen Leader (at the direction of Dr. Elaine Eick);

(g) on 31 December 2010, Global Touch acquired from Dr. Lee the entire issued share capital of New Merit in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 800 shares of US$1.00 each in its capital as to 320 shares to First Beijing, 320 shares to Ease Gain and 160 shares to Chosen Leader (all at the direction of Dr Lee);

(h) on 11 February 2011, Global Touch acquired from Dr. Lee, Mrs. Lee and Dr. Elaine Eick 4,000 shares, 4,000 shares and 2,000 shares of HK$1.00 each in, representing 100% of the then entire issued share capital of Leepark (Netherlands) in consideration of and in exchange for the allotment and issue by Global Touch, credited as fully paid, of an aggregate of 1,000 shares of US$1.00 each in its capital, as to 400 shares to First Beijing (at the direction of Dr. Lee), 400 shares to Ease Gain (at the direction of Mrs. Lee) and 200 shares to Chosen Leader (at the direction of Dr. Elaine Eick);

(i) on 19 March 2012 and 18 May 2012, the 10.125% equity interest in Golden Yu Feng and the 50.62% equity interest in Yu Feng Real Estate held by Leepark UK upon trust for Ruby Properties were transferred by Leepark UK to Ruby Properties at nil consideration respectively;

(j) on 23 November 2012, Leepark Holdings and Leepark (Netherlands) (as original debtors), Global Touch (as new debtor) and Mrs. Lee (as creditor) entered into a deed of novation by which the debt in the total amount of approximately HK$7.47 million (the "**Assigned Debt**") (representing interest-free director's loan made by Mrs. Lee to Leepark Holdings and Leepark (Netherlands)) was novated to Global Touch. Following the novation, Global Touch became indebted to Mrs. Lee the amount of the Assigned Debt, which was fully settled on 23 November 2012 in the manner described in sub-paragraph (k) below;

(k) on 23 November 2012, the full amount of the Assigned Debt as disclosed in sub-paragraph (j) above was capitalised by the allotment and issue of an aggregate of 6,900 shares of US$1.00 each in Global Touch, credited as fully paid, at the request and by the direction of Mrs. Lee, as to 2,760 shares to First Beijing, 2,760 shares to Ease Gain and 1,380 shares to Chosen Leader;

(l) on 23 November 2012, the authorised share capital of the Company was increased from HK$200,000 to HK$100,000,000 by the creation of 998,000,000 new Shares; and

(m) on 23 November 2012, the Company acquired from First Beijing, Ease Gain and Chosen Leader the entire issued share capital of Global Touch, in consideration of and in exchange for which the Company, (i) allotted and issued, credited as fully paid, an aggregate of 99,999,999 new Shares, as to 39,999,999 Shares to First Beijing, 40,000,000 Shares to Ease Gain and 20,000,000 Shares to Chosen Leader; and (ii) credited as fully paid at par the one nil paid Share then held by First Beijing.

Upon completion of the Reorganisation, the Company became the holding company of the Group.

5. **Changes in share capital of the subsidiaries**

The subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of the Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

- On 28 January 2011, the investment and registered capital of Golden Yu Feng was increased from RMB600,000 (which was then held as to 49.38% by Bai Yi Commercial and 50.62% by Leepark UK) to RMB3 million with the additional registered capital of RMB2.4 million contributed in full by Leepark (Netherlands).

Save as disclosed herein and in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. **Further information about the Group's PRC establishment**

The Company has indirect equity interest in the registered capital of five companies established in the PRC, all of which are private companies. A summary of the corporate information of these companies as at the Latest Practicable Date is set out immediately below:

(1)	(i)	Name of the enterprise	:	南寧金裕豐物業管理有限公司 (Nanning Golden Yu Feng Property Management Co., Limited*)
	(ii)	Date of establishment	:	4 August 2003
	(iii)	Economic nature	:	Sino-foreign equity joint venture enterprise
	(iv)	Registered owners	:	Ruby Properties (10.125%), Bai Yi Commercial (9.875%) and Leepark (Netherlands) (80%)
	(v)	Registered capital	:	RMB3,000,000 (fully paid up)
	(vi)	Attributable interest to the Group	:	98.77%
	(vii)	Term of operation	:	4 August 2003 to 4 August 2023
	(viii)	Principal scope of business under the business licence	:	Management, leasing and sales of real estate and real estate consultancy services (房地產物業管理，市場舖面的租賃，房地產交易、房地產商品信息諮詢)

(2)	(i)	Name of the enterprise	:	南寧裕豐房地產開發有限公司 (Nanning Yu Feng Real Estate Development Company Limited*)
	(ii)	Date of establishment	:	27 July 1993
	(iii)	Economic nature	:	Sino-foreign equity joint venture enterprise
	(iv)	Registered owners	:	Ruby Properties (50.62%) and Bai Yi Commercial (49.38%)
	(v)	Registered capital	:	RMB33,544,000 (fully paid up)
	(vi)	Attributable interest to the Group	:	93.84%
	(vii)	Term of operation	:	27 July 1993 to 27 July 2023
	(viii)	Principal scope of business under the business licence	:	Development, operation and leasing of real estate (房地產的開發經營、場地鋪面出租)
(3)	(i)	Name of the enterprise	:	南寧威特斯房地產開發投資有限公司 (Nanning WTS Real Estate Development and Investment Company Limited*)
	(ii)	Date of establishment	:	3 August 2001
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owners	:	Yu Feng Real Estate (100%)
	(v)	Registered capital	:	RMB10,000,000 (fully paid up)
	(vi)	Attributable interest to the Group	:	93.84%
	(vii)	Term of operation	:	No fixed term of operation
	(viii)	Principal scope of business under the business licence	:	Development and operation of real estate (房地產開發經營)

(4)	(i)	Name of the enterprise	:	廣西南寧利柏商務服務有限公司 (Guangxi Nanning Leepark Business Service Company Limited*)
	(ii)	Date of establishment	:	29 September 2003
	(iii)	Economic nature	:	Wholly foreign owned enterprise
	(iv)	Registered owner	:	Leepark Holdings (100%)
	(v)	Registered capital	:	RMB800,000 (fully paid up)
	(vi)	Attributable interest to the Group	:	100%
	(vii)	Term of operation	:	29 September 2003 to 29 September 2033
	(viii)	Principal scope of business under the business licence	:	Commodity consultancy services (other than those restricted by the State and intermediary services), corporate investment advisory, corporate management consultancy services and corporate image planning services (商品信息諮詢(除國家禁止項目及中介)，企業投資諮詢，企業管理諮詢，企業形象策劃)
(5)	(i)	Name of the enterprise	:	廣西南寧百益商貿有限公司 (Guangxi Nanning Bai Yi Commercial Company Limited*)
	(ii)	Date of establishment	:	9 September 1997
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owners	:	Leepark Business Service (87.52%), He Hao (何好) (2.99%), Lei Yue Hua (雷月華) (3.35%), Li Yan Ping (李燕平) (2.45%) and Yang Yan Fei (楊燕飛) (3.69%)
	(v)	Registered capital	:	RMB23,408,000 (fully paid up)
	(vi)	Attributable interest to the Group	:	87.52%
	(vii)	Term of operation	:	9 September 1997 to 9 September 2027

(viii)	Principal scope of business under the business licence	:	Property leasing, sales, metal hardware and electronic appliances (except bicycles), daily necessities, textiles, leather products, cosmetics, cultural and sporting goods, clocks, watches and glasses, household supplies, kitchen equipments construction material, steel; investments in commercial, food and beverages, production of by-products, hostels, carparks, and property management; and development and operations of real estate. (房屋租賃；銷售；五金交電(除助力自行車)、日用百貨、針紡織品、皮革製品、日用化妝品、文化體育用品，鐘錶眼鏡、日雜、廚房設備、建築材料（除危險化學品及木材）、鋼材；對商業、飲食業、食品及副食品生產、旅社、停車場、物業管理等行業的投資；房地產開發經營）)

7. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the Shareholders on 23 November 2012, the Repurchase Mandate was given to the Directors authorising any repurchase by the Company of Shares on GEM or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) ***Source of funds***

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(c) ***Reasons for repurchases***

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) ***Funding of repurchases***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 300,000,000 Shares in issue immediately after the Listing, would result in up to 30,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(e) ***General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or the subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No Connected Persons of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

8. Summary of material contracts

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

(a) On 13 December 2010, an equity transfer agreement was entered into between Mr. He Hao (何好) as transferor and Yu Feng Real Estate as transferee for the transfer by Mr. He Hao (何好) of the 3% interest in the registered capital of WTS Real Estate (amounting to RMB300,000) ,which was held by him on trust for Yu Feng Real Estate, to Yu Feng Real Estate at nil consideration;

(b) on 30 December 2010, an equity transfer agreement was entered into between Yu Feng Real Estate and Mr. Huang Li Shan (黃立山) as transferors and Mr. Liu Yuan Qiang (劉元強) and Mr. Pan Guo Jian (潘國健) as transferees pursuant to which (i) Yu Feng Real Estate disposed of its entire 40% interest in the registered capital of Guiping Yu Feng (as to 11% to Mr. Liu Yuan Qiang (劉元強) and 29% to Mr. Pan Guo Jian (潘國健)) and (ii) Mr. Huang Li Shan (黃立山) disposed of his 20% interest in the registered capital of Guiping Yu Feng to Mr. Pan Guo Jian (潘國健) at a total consideration of approximately RMB4.2 million (as to approximately RMB2.8 million payable to Yu Feng Real Estate and as to approximately RMB1.4 million payable to Mr. Huan Li Shan (黃立山));

(c) on 15 June 2011, an agreement for the sale and purchase of a vessel was made between Leepark Holdings as vendor and Dr. Lee as purchaser for the acquisition by Dr. Lee of the vessel "KOON WOON" at a total consideration of US$600,000;

(d) on 5 September 2011, an equity transfer agreement was entered into between Leepark UK as transferor and Ruby Properties as transferee (as supplemented by a supplemental agreement dated 13 March 2012 entered into between the same parties) for the transfer of the 10.125% equity interest in Golden Yu Feng, which was held by Leepark UK upon trust for Ruby Properties, at nil consideration;

(e) on 5 September 2011, an equity transfer agreement was entered into between Leepark UK as transferor and Ruby Properties as transferee (as supplemented by a supplemental agreement dated 16 May 2012 entered into between the same parties) for the transfer of the 50.62% equity interest in Yu Feng Real Estate, which was held by Leepark UK upon trust for Ruby Properties, at nil consideration;

(f) on 11 September 2012, an agreement for transfer and use of trade marks (商標轉讓及許可使用之協議) was entered into between Bai Yi Commercial as transferor, Nanning International Patisserie Co., Ltd. as transferee and Mr. Zhong Ting-Zhuo* (鍾廷卓) and Mr. Hou Chao* (侯潮) as payees for the transferee pursuant to which Bai Yi Commercial agreed to (i) transfer certain trade marks to the transferee at the consideration of RMB455,000; and (ii) grant the right to use the trade marks by the transferee at nil consideration pending completion of the legal formalities for the transfer;

(g) on 23 November 2012, a deed of novation was entered into between (i) Leepark Holdings and Leepark (Netherlands) as original debtors, (ii) Global Touch as new debtor and (iii) Mrs. Lee as creditor for the novation of a debt in the total amount of approximately HK$7.47 million to Global Touch, which debt was previously owed from Leepark Holdings and Leepark (Netherlands) to Mrs. Lee;

(h) on 23 November 2012, a share purchase agreement was entered into between (i) First Beijing, Ease Gain and Chosen Leader as vendors, (ii) Dr. Lee Kai Hung, Ms. Chan Koon Woon and Dr. Lee Tse Ching, Elaine as warrantors, and (iii) the Company as purchaser for the acquisition by the Company of the entire issued share capital of Global Touch in consideration of and in exchange for which the Company, (i) allotted and issued, credited as fully paid, an aggregate of 99,999,999 Shares, as to 39,999,999 Shares to First Beijing, 40,000,000 Shares to Ease Gain and 200,000,000 Shares to Chosen Leader; and (ii) credited as fully paid at par the one nil paid Share then held by First Beijing;

(i) on 29 November 2012, a deed of indemnity was executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for the subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph headed "Estate duty, tax and other indemnities" of this Appendix; and

(j) the Underwriting Agreement.

9. Intellectual property rights of the Group

(a) *Registered trademarks*

As of the Latest Practicable Date, the Group is the registered proprietor and beneficial owner of the following trademarks which are material in relation to the Group's business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.		Golden Yu Feng	PRC	35 *(note 1)*	4791712	28 February 2009 to 27 February 2019
2.		Golden Yu Feng	PRC	36 *(note 2)*	4791834	14 October 2009 to 13 October 2019

Notes:

1. The specific goods under class 35 in respect of which the trademark was registered are advertising; designing of advertisement; planning of advertisement; agencies of commercial itinerary; agency of commercial information; organisation of commercial or advertising exhibition; sale (on behalf of others); intermediary service (for the purchase of products or service on behalf of other enterprises); relocation of commercial premises.

2. The specific goods under class 36 in respect of which the trademark was registered are insurance; receipt of rent; brokerage service; leases guarantee; raising charity fund; administering assets.

As of the Latest Practicable Date, the Group had registered the following domain name:

No.	Domain name	Registrant	Registration date	Expiry date
1	http://www.gxcgw.com	Yu Feng Real Estate	28 November 2007	28 November 2015
2	http://www.leeparkholdings.com.cn	Yu Feng Real Estate	4 June 2008	4 June 2018
3	http://www.nnyf.cn	Yu Feng Real Estate	17 December 2003	17 December 2017
4	http://www.southwesteco.com	Leepark Holdings	12 January 2011	12 January 2013
5	http://www.leeparkholdings.com	Leepark Holdings	20 June 2007	20 June 2013

Save as disclosed in this prospectus, there are no trademarks, patents or other intellectual or industrial property rights which are material in relation to the business of the Group.

10. **Connected transactions and related party transactions**

Save as disclosed in the section headed "Connected transaction" of this prospectus and in note 33 to the accountants' report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Group has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT THE DIRECTORS AND THE SHAREHOLDERS

11. **Directors**

(a) ***Disclosure of interests of the Directors***

(i) Dr. Lee, Mrs. Lee and Dr. Elaine Eick are interested in the Reorganisation.

(ii) Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with the Group during the two years immediately preceding the date of this prospectus.

(b) ***Particulars of Directors' service contracts***

Executive Directors

Each of Dr. Lee, Mrs. Lee, Dr. Elaine Eick and Mr. Cheng Bun, being all the executive Directors, has entered into a service contract with the Company pursuant to which each of them has agreed to act as executive Director for an initial fixed term of two years with effect from the Listing Date, which is renewable automatically for successive terms of one year each upon expiry of the then current term. The appointment of an executive Director may be terminated by the giving of three months' written notice by the Company to that executive Director or vice versa.

Each of the executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 31 December 2012 at the discretion of the Directors of not more than 10% of the annual salary immediately prior to such increase) commencing from the Listing Date.

In addition, each of the executive Directors may be granted a discretionary management bonus for the financial year ended 31 December 2012 and onwards in such sum as the Board may in its absolute discretion determine provided the aggregate amount of bonuses payable to all the executive Directors for a financial year of the Company shall not exceed 5% of the audited combined or (if applicable) consolidated net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of discretionary management bonus payable to him.

The current basic annual salaries of the executive Directors payable under their service contracts are as follows:

Name	**Annual salary**
Dr. Lee	RMB3,607,200
Mrs. Lee	RMB3,607,200
Dr. Elaine Eick	HK$960,000
Mr. Cheng Bun	RMB698,400

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of one year commencing from the Listing Date, which is renewable automatically for successive terms of one year each from the day immediately after the expiry of the then current term. The appointment of an independent non-executive Directors may be terminated by the giving of three months' written notice by the Company to that independent non-executive Director or vice versa. The appointment of each of the independent non-executive Directors is subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of HK$120,000 per annum commencing from the Listing Date. Save for the directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of the subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) ***Directors remuneration***

(i) The aggregate emoluments paid and benefits in kind granted by the Company and other members of the Group to the Directors in respect of the financial year ended 31 December 2011 were approximately HK$10.7 million.

(ii) Under the arrangements currently in force at the date of this prospectus, the aggregate remuneration (excluding discretionary bonus) payable by the Company and other members of the Group to, and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2012, are expected to be approximately HK$11.5 million.

(iii) No amount was paid to, or receivable by, the Directors, for each of the two financial years of the Company immediately preceding the issue of this prospectus as an inducement to join or upon joining the Company.

(iv) No compensation was paid to, or receivable by, the Directors (including past Directors) for each of the two financial years of the Company immediately preceding the issue of this prospectus for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(v) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years of the Company immediately preceding the issue of this prospectus.

(d) ***Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and the associated corporations***

Immediately following completion of the Placing and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and the associated corporations (within the meaning of Part XV of the SFO) which will have 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 in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transaction by directors to be notified to the Company and the Stock Exchange, once the Shares are listed, will be as follows:

Name of Director	**Name of Group member/associated corporation**	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Approximate percentage of shareholding**
Dr. Lee	The Company	Interest of controlled corporation *(Note 2)*	90,000,000 Shares (L)	30%
Mrs. Lee	The Company	Interest of controlled corporation *(Note 3)*	90,000,000 Shares (L)	30%
Dr. Elaine Eick	The Company	Interest of controlled corporation *(Note 4)*	45,000,000 Shares (L)	15%

Notes:

(1) The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.

(2) These Shares will be registered in the name of First Beijing, the entire issued share capital of which is owned by Dr. Lee, an executive Director. Dr. Lee is deemed to be interested in all the Shares in which First Beijing is interested by virtue of the SFO. Dr. Lee is the sole director of First Beijing.

(3) These Shares will be registered in the name of Ease Gain, the entire issued share capital of which is owned by Mrs. Lee, an executive Director. Mrs. Lee is deemed to be interested in all the Shares in which Ease Gain is interested by virtue of the SFO. Mrs. Lee is the sole director of Ease Gain.

(4) These Shares will be registered in the name of Chosen Leader, the entire issued share capital of which is owned by Dr. Elaine Eick, an executive Director. Dr. Elaine Eick is deemed to be interested in all the Shares in which Chosen Leader is interested by virtue of the SFO. Dr. Elaine Eick is the sole director of Chosen Leader.

12. **Disclosure of interests under the SFO and the Substantial Shareholders**

So far as is known to the Directors, immediately following completion of the Placing and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Placing and any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), other than a Director or chief executive of the Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and the associated corporations" above, the following persons will have an interest or a 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, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Company/name of Group member	Capacity/nature of interest	Number and class of securities held (Note 1)	Approximate shareholding percentage
First Beijing *(Note 2)*	The Company	Beneficial owner	90,000,000 Shares (L)	30%
Ease Gain *(Note 3)*	The Company	Beneficial owner	90,000,000 Shares (L)	30%
Chosen Leader *(Note 4)*	The Company	Beneficial owner	45,000,000 Shares (L)	15%
Dr. Holger Eick *(Note 4)*	The Company	Interest of a spouse	45,000,000 Shares (L)	15%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) These Shares will be registered in the name of First Beijing, the entire issued share capital of which is owned by Dr. Lee, an executive Director. Dr. Lee is deemed to be interested in all the Shares in which First Beijing is interested by virtue of the SFO. Dr. Lee is the sole director of First Beijing.

(3) These Shares will be registered in the name of Ease Gain, the entire issued share capital of which is owned by Mrs. Lee, an executive Director. Mrs. Lee is deemed to be interested in all the Shares in which Ease Gain is interested by virtue of the SFO. Mrs. Lee is the sole director of Ease Gain.

(4) These Shares will be registered in the name of Chosen Leader, the entire issued share capital of which is owned by Dr. Elaine Eick, an executive Director. Dr. Elaine Eick is deemed to be interested in all the Shares in which Chosen Leader is interested by virtue of the SFO. Dr. Elaine Eick is the sole director of Chosen Leader. As Dr. Holger Eick is the spouse of Dr. Elaine Eick, he is deemed, or taken to be, interested in the Shares which Dr. Elaine Eick is deemed, or taken to be interested in for the purposes of the SFO.

13. **Disclaimers**

Save as disclosed in this prospectus:

(a) taking no account of any Shares which may be taken up or acquired under the Placing or upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who immediately following the completion of the Placing and the Capitalisation Issue will have an interest or a 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 will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(b) none of the Directors and the chief executive of the Company has any interest or short position in any of the shares, underlying shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO, which will have 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 any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;

(c) none of the Directors nor any of the experts listed in the paragraph headed "Qualifications of experts" below of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or are proposed to be acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company nor will any Director apply for the Placing Shares either in his own name or in the name of a nominee;

(d) none of the Directors nor any of the experts listed in the paragraph headed "Qualifications of experts" below of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of the Group; and

(e) save in connection with the Underwriting Agreement, none of the experts listed in the paragraph headed "Qualifications of experts" below of this appendix:

    (i) is interested legally or beneficially in any securities of any member of the Group; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

OTHER INFORMATION

14. Share Option Scheme

(a) ***Summary of terms***

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then Shareholders on 23 November 2012:

(i) *Purposes of the scheme*

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) *Who may join*

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of any member of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(gg) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) *Maximum number of the Shares*

(aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

(bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date (that is, 30,000,000 Shares) (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to the Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(iv) *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) *Grant of options to the Directors, chief executive or Substantial Shareholders of the Company or their respective associates*

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or Substantial Shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders in general meeting. The Company must send a circular to the Shareholders. All Connected Persons of the Company must abstain from voting in favour at such general meeting, except that any Connected Person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for the Shares and consideration for the option*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) *Ranking of the Shares*

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the

Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to the "**Shares**" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

(x) *Restrictions on the time of the offer for the grant of options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules), and (bb) the deadline for the Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to Chapter 5 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of the subsidiaries or any Invested Entity.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) *Rights on winding up*

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) *Grantee being a company wholly owned by eligible participants*

If the grantee is a company wholly owned by one or more eligible participants:

(aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) *Adjustments to the subscription price*

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial advisor to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iv) any adjustment must be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial advisor must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the GEM Listing Rules.

(xx) *Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) *Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the option period in respect of such option;

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

(cc) the date on which the Directors exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) *Miscellaneous*

(aa) The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of the Company in general meeting.

(b) ***Present status of the Share Option Scheme***

(i) *Approval of the Listing Division required*

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

15. **Estate duty, tax and other indemnities**

The Controlling Shareholders (the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (i) referred to in the paragraph headed "Summary of material contracts" above of this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group at any time on or before the Listing Date; and

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental to or relating to taxation) and claims falling on any member of the Group resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions or events entered into or occurring, on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities or claims are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation, liabilities or claims in the audited accounts of any member of the Group up to the end of the Track Record Period;

(b) to the extent that such taxation or liability falling on any of the members of the Group in respect of any accounting period commencing on the day immediately after the end of the Track Record Period and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the end of the Track Record Period; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the end of the Track Record Period or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that such taxation, liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such taxation, liabilities or claims arise or are increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to the end of the Track Record Period which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to each member of the Group that they will indemnify and at all times keep each member of the Group fully indemnified, on a joint and several basis, from and against all depletion in or reduction in value of assets, increase in liabilities, losses, claims, actions, proceedings, demands, orders, notices, liabilities, damages, costs (including legal costs on a full indemnity basis), expenses, interest, fines, penalties, payments of whatever nature suffered or incurred by any member of the Group directly or indirectly arising out of or in connection with any of the following (collectively, the "**Indemnified Matters**"):

(a) the implementation of the corporate reorganisation of the Group in the preparation of Listing as described in this prospectus; and

(b) all breaches, non-compliance and/or violation of, by any member of the Group on or before the Listing Date, any applicable PRC laws, rules and regulations in relation to all the matters as referred to in the paragraph headed "Legal and regulatory matters" in the "Business" section of this prospectus, provided that the Indemnifiers are under no liability under the deed of indemnity in respect of the Indemnified Matters:

(i) to the extent that provision or reserve has been made for the relevant Indemnified Matters in the audited accounts of any member of the Group for any accounting period up to the end of the Track Record Period; or

(ii) to the extent that any provision or reserve made for the Indemnified Matters in the audited accounts of any member of the Group for any accounting period up to the end of the Track Record Period which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of the Indemnified Matters shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of the Indemnified Matters shall not be available in respect of any such liability arising thereafter.

16. **Litigation, arbitration and claim of material importance**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of the Group.

17. **Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately US$8,000 (equivalent to approximately HK$62,400) and are payable by the Company.

18. **Promoters**

(a) The Company does not have any promoter.

(b) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoter (if any) named in sub-paragraph (a) above in connection with the Placing or the related transactions described in this prospectus.

19. **Agency fees or commissions received**

Except as disclosed in the paragraph headed "commission and expenses" in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of the Group within the two years immediately preceding the date of this prospectus.

20. **Application for listing of Shares**

The Sole Sponsor has made an application on behalf of the Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

21. **Qualifications of experts**

The following are the qualifications of the experts whose experts' statements are contained in this prospectus:

Name	**Qualification**
Haitong International Capital Limited	Licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity (as set out in Schedule 5 to the SFO)
BDO Limited	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands barristers and attorneys
GFE Law Office	Qualified PRC lawyers
DTZ Debenham Tie Leung Limited	Professional property surveyors and valuers

22. **Consents of experts**

Each of the Sole Sponsor, BDO Limited, Conyers Dill & Pearman (Cayman) Limited, GFE Law Office and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this prospectus with the expert statement made by it and the references to its names included in this prospectus in the form and context in which they respectively appear.

23. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

24. **Taxation of holders of Shares**

(a) ***Hong Kong***

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) ***The Cayman Islands***

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) ***Consultation with professional advisors***

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Placing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

25. **Miscellaneous**

(a) Save as disclosed herein:

   (i) within two years immediately preceding the date of this prospectus:

      (aa) no share or loan capital of the Company or of any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

      (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the subsidiaries; and

      (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of the subsidiaries;

   (ii) no share or loan capital of the Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since the end of the Track Record Period (being the end of the period reported on in the accountants' report set out in Appendix I to this prospectus);

(c) the Directors confirm that there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 24 months immediately preceding the date of this prospectus;

(d) none of the equity and debt securities of the Company is listed or dealt in on any other stock exchange or on which listing or permission to deal is being or is proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived; and

(f) none of the members of the Group has any outstanding securities or debentures.

26. **Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, the written consents referred to under the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" of Appendix VI to this prospectus, and certified copies of the material contracts referred to in the sub-paragraph headed "Summary of material contracts" under the paragraph headed "Further information about the business of the Company" of Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40th Floor, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours up to and including 15 December 2012:

(a) the Company's memorandum of association and the Articles;

(b) the Accountants' Report of the Company prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial information of companies comprising the Group for each of the two financial years ended 31 December 2010 and 31 December 2011 and the six months ended 30 June 2012 (or for the period since their respective dates of incorporation of the relevant members of the Group where it is shorter), if any;

(d) the letter from BDO Limited in relation to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(e) the valuation report (including a letter, a summary of valuations and valuation certificates) relating to the properties interests of the Group prepared by DTZ, the text of which is set out in Appendix III to this prospectus;

(f) the Companies Law;

(g) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;

(h) the legal opinions prepared by the PRC Legal Advisor in respect of certain aspects of the Group and the property interests of the Group in the PRC;

(i) the material contracts referred to under the sub-paragraph headed "Summary of material contracts" in the paragraph headed "Further information about the business of the Company" of Appendix VI to this prospectus;

(j) the written consents referred to under the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" of Appendix VI to this prospectus;

(k) the rules of the Share Option Scheme; and

(l) the service contracts referred to in the sub-paragraph headed "Directors" in the paragraph headed "Further information about the Directors and the Shareholders" of Appendix VI to this prospectus.