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

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

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首長科技集團有限公司
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION;
(2) POSSIBLE MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF FINANCIAL ASSISTANCE; AND
(3) POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO
RECEIPT OF FINANCIAL ASSISTANCE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to Shougang Concord Technology Holdings Limited

Deloitte.

德勤

Deloitte & Touche Corporate Finance Limited

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



高銀融資有限公司

GOLDIN FINANCIAL LIMITED

A letter from the Board is set out on pages 6 to 26 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from the Independent Financial Adviser containing its advices to the Independent Board Committee and the Independent Shareholders on the terms of the SPA, the Proposed Acquisition and the relevant transactions contemplated there is set out on pages 29 to 50 of this circular.

A notice convening the EGM to be held at Units 2606A-2608, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong, at 11:00 a.m. on Thursday, 24 April 2014 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrars of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

26 March 2014

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DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transactions of business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Company”	Shougang Concord Technology Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Completion”	Completion of the SPA in accordance with the terms and conditions set out therein
“Completion Date”	the date on which the Completion takes place
“Conditions Precedent”	the respective conditions precedent to the Completion as set out in the SPA
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Sale Shares in the aggregate amount of RMB585.0 million (equivalent to approximately HK\$743.1 million)
“Directors”	the directors of the Company
“Dongguan Hillview”	Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司, a company incorporated with limited liability in PRC which owned and operated the Dongguan Hillview Golf Club and the Sofitel Dongguan Golf Resort Hotel. Dongguan Hillview is owned as to 65% and 35% by the Target Company and HNA Huanan, respectively as at the Latest Practicable Date
“Dongguan Hillview Golf Club”	Dongguan Hillview Golf Club 東莞峰景高爾夫球會, a golf club owned and operated by Dongguan Hillview and located in Dongguan, PRC

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Units 2606A-2608, 26th Floor, Island Place Tower, 510 King’s Road, North Point, Hong Kong, at 11:00 a.m. on Thursday, 24 April 2014 for the purpose of approving, among others, the SPA, the Proposed Acquisition and the relevant transactions contemplated therein
“Enlarged Group”	the Group immediately after Completion
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the corporate guarantee agreement entered into by Dongguan Hillview as guarantor with a financial institution dated 6 March 2013, whereas Dongguan Hillview agreed to provide a corporate guarantee for a fellow subsidiary of HNA Hong Kong for its bank borrowing of up to RMB5.0 million (equivalent to approximately HK\$6.4 million) for the period from 6 March 2013 to 6 March 2014
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HNA Hong Kong”	HNA Group (International) Company Limited 海航集團(國際)有限公司 (previously known as HNA Group International Headquarter (Hong Kong) Co., Limited 海航集團國際總部(香港)有限公司), a company incorporated in Hong Kong with limited liability which interested in and controlled approximately 25.67% of the total issued share capital of the Company and a substantial shareholder of the Company as at the Latest Practicable Date
“HNA Huanan”	HNA Huanan (Holdings) Group Company Limited* 海航華南控股集團有限公司 (previously known as Guangzhou HNA Industrial Company Limited* 廣州海航實業有限公司), a company incorporated in PRC with limited liability which is principally engaged in investment holding and the development, operation and management of property and hotels

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Leung Kai Cheung, Mr. Liem Chi Kit, Kevin and Mr. Lam Kin Fung, Jeffrey) established for the purpose of considering and advising the Independent Shareholders in connection with the SPA, the Proposed Acquisition and the relevant transactions contemplated therein
“Independent Financial Adviser” or “Goldin”	Goldin Financial Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein
“Independent Shareholders”	Shareholders other than the Vendor and its associates
“Latest Practicable Date”	21 March 2014, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Loan Advances”	all the liabilities, indebtedness and obligations (whether actual, contingent or deferred) due from HNA Huanan to Dongguan Hillview which include a loan agreement entered into between Dongguan Hillview as lender and HNA Huanan as borrower on 30 September 2011 and other advances provided by Dongguan Hillview to HNA Huanan
“Pledge of Assets”	the pledge of assets provided by Dongguan Hillview pursuant to a guarantee agreement of Dongguan Hillview dated 25 May 2012 for the bank borrowings up to RMB300.0 million (equivalent to approximately HK\$381.1 million) of a fellow subsidiary of HNA Hong Kong for the period from 22 September 2011 to 21 September 2019
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular (unless otherwise indicated) excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Adviser”	Grandall Law Firm (Shanghai), the legal adviser to the Company as to PRC laws in respect of the Proposed Acquisition
“Promissory Note”	means the promissory note to be issued by the Company in favour of the Vendor or its nominees (if applicable) upon Completion for the purpose of settling the Consideration pursuant to the SPA

DEFINITIONS

“Properties”	the land use right of approximately 1,000,039 sq.m. at Ying Bin Road, Dongcheng District, Dongguan, Guangdong Province, China, the Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel owned by Dongguan Hillview
“Proposed Acquisition”	the proposed acquisition of the Sale Shares as contemplated under the SPA
“Purchaser”	San Tai Investment Company Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	50,000 ordinary shares with par value of US\$1.00 each of the Target Company legally and beneficially owned by the Vendor, representing 100% of the total issued share capital in the Target Company, which have been fully paid or credited as fully paid
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Sofitel Dongguan Golf Resort Hotel”	Sofitel Dongguan Golf Resort Hotel 索菲特東莞高爾夫度假村酒店, a club hotel owned and operated by Dongguan Hillview and located in Dongguan, PRC
“SPA”	the sale and purchase agreement dated 17 January 2014 entered into between the Company, the Purchaser and the Vendor in respect of the Proposed Acquisition
“State Council”	State Council of PRC 中國國務院
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Hillview Golf Development Company Limited 峰景高爾夫球發展有限公司* (previously known as Chia Tai Golf Development Company Limited 正大高爾夫球發展有限公司*), a company incorporated with limited liability in BVI. The Target Company is wholly-owned by the Vendor as at the Latest Practicable Date

DEFINITIONS

“Target Group”	the Target Company and its subsidiaries, if any
“Vendor”	Leader Well Management Limited (卓領管理有限公司), a company incorporated in Hong Kong with limited liability and the vendor to the SPA
“Vigers”	Vigers Appraisal and Consulting Limited, an independent property valuer appointed by the Company in respect of the Proposed Acquisition
“%”	per cent.
“sq.m.”	square metre

For the purpose of this circular, unless otherwise specified or the context requires otherwise, “” denotes a Chinese or English (as the case may be) name and is for identification purpose only, In the event of any inconsistency, the original names shall prevail.*

For the purpose of this circular, the exchange rate of HK\$1.00 = RMB0.78721 and HK\$1.00 = US\$7.7500 have been used for currency translation, where applicable. Such exchange rates are for illustrative purposes only and do not constitute representations that any amount in HK\$ or RMB has been, could have been or may be converted at such a rate or any other rate or at all.

LETTER FROM THE BOARD



首長科技集團有限公司
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

Executive Directors:

Mung Kin Keung (*Executive Chairman*)
Li Tongshuang (*Managing Director*)
Mung Bun Man, Alan

Non-executive Directors:

Li Shaofeng (*Non-executive Chairman*)
Leung Shun Sang, Tony

Independent Non-executive Directors:

Leung Kai Cheung
Liem Chi Kit, Kevin
Lam Kin Fung, Jeffrey

Registered Office:

Units 2606A-2608, 26th Floor
Island Place Tower
510 King's Road
North Point
Hong Kong

26 March 2014

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION;
(2) POSSIBLE MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF FINANCIAL ASSISTANCE; AND
(3) POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO
RECEIPT OF FINANCIAL ASSISTANCE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The Board refers to the announcement of the Company dated 17 January 2014 in relation to the SPA, the Proposed Acquisition and the relevant transactions contemplated therein.

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On 17 January 2014, the Company, the Purchaser and the Vendor entered into the SPA, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company for a consideration of RMB585.0 million (equivalent to approximately HK\$743.1 million), on the terms and subject to the conditions set out in the SPA. As at the Latest Practicable Date, the Target Company is wholly-owned by the Vendor. Upon Completion, the Target Company will be wholly-owned by the Company. Further details in respect of the SPA are set out in the section headed “The SPA” of this letter.

The purposes of this circular are to provide Shareholders with, among other things, the details of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein, to set out the recommendation of the Independent Board Committee to the Independent Shareholders and the letter of advices from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the SPA, the Proposed Acquisition and relevant transactions contemplated therein and to give the Shareholders the notice of EGM and other information required by the Listing Rules.

2. THE SPA

Date: 17 January 2014

Parties to the SPA

- (1) Leader Well Management Limited (卓領管理有限公司), as vendor, is a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding
- (2) San Tai Investment Company Limited, as purchaser, is a company incorporated in BVI with limited liability. The Purchaser is an indirect wholly-owned subsidiary of the Company which is principally engaged in investment holding
- (3) the Company

Information about the Target Company

The Target Company is an investment holding company incorporated with limited liability in BVI whose sole investment is in Dongguan Hillview as at the Latest Practicable Date. The Vendor originally purchased the Target Company at a consideration of approximately RMB407.4 million (equivalent to approximately HK\$517.5 million) in May 2012. Dongguan Hillview is a company established with limited liability in the PRC and is owned as to 65% and 35% by the Target Company and HNA Huanan, respectively as at the Latest Practicable Date. As at the Latest Practicable Date, since the Target Company does not control the board of directors of Dongguan Hillview according to the relevant memorandum and articles of association of Dongguan Hillview, Dongguan Hillview is a joint venture of the Target Company. As it is one of the Conditions Precedent that the amendment of relevant memorandum and articles of association of Dongguan Hillview has to be completed such that the Target Company will be entitled to appoint four out of five of the directors of Dongguan Hillview and control the board of directors of Dongguan

LETTER FROM THE BOARD

Hillview, Dongguan Hillview will become a subsidiary of the Target Company and an indirect subsidiary of the Company with 65% effective interest upon Completion. The Company has consulted and its auditor has agreed with such accounting treatment.

Dongguan Hillview is principally engaged in the provision of recreational and tourism services through the ownership and management of the Dongguan Hillview Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities in Dongguan, PRC. Dongguan Hillview also owns the land use right of approximately 1,000,039 sq.m. at Ying Bin Road, Dongcheng District, Dongguan, Guangdong Province, China, on which the Dongguan Hillview Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities are located.

The Properties and other fixed assets had an aggregate audited carrying value of approximately RMB322.6 million (equivalent to approximately HK\$409.8 million) as at 30 September 2013 which had an aggregate value of approximately RMB1,075.5 million net of deferred taxation (equivalent to approximately HK\$1,366.2 million). The aggregate carrying value of the Properties and other fixed assets as at 30 September 2013 was adjusted with reference to the estimated fair value increases in the property, plant and equipment and intangible assets of approximately RMB77.6 million and RMB926.3 million respectively, and estimated deferred tax liabilities of approximately RMB251.0 million set out in note c to Appendix III to this circular, which is based on preliminary valuation of RMB1,310.0 million performed by Vigers as at 30 September 2013 conducted on a combination of the market and depreciated replacement cost approach and updated to 31 December 2013 as set out in Appendix V to this circular.

The key specifications of the Dongguan Hillview Golf Club and the Sofitel Dongguan Golf Resort Hotel are as follows:

Dongguan Hillview Golf Club

Date of commencement of operation:	May, 2002
Golf courses:	Two separate 18-hole golf courses
Gross floor area:	Approximately 18,273 sq.m.
Covered floor area:	Approximately 10,128 sq.m.
Facilities:	An exercise course, a specialty shop, two restaurants, a multi-function hall, a British bar, a cigar room, two change-rooms, and an exhibition hall
Relevant licenses obtained:	Business license, certificate of approval for establishment of enterprises with foreign investment in the PRC, certificate of hygiene* (衛生許可證), financial registration for enterprises with foreign investment

LETTER FROM THE BOARD

Sofitel Dongguan Golf Resort Hotel

Date of commencement of operation:	May, 2002
No. of guestrooms and suites:	133 spacious rooms and luxury suites
Gross floor area:	Approximately 23,302 sq.m.
Covered floor area:	Approximately 9,808 sq.m.
Facilities:	a Chinese restaurant and a buffet restaurant, a gymnasium, 4 meeting rooms and an outdoor swimming pool
Relevant licenses obtained:	Business license, certificate of approval for establishment of enterprises with foreign investment in the PRC, certificate of hygiene* (衛生許可證), financial registration for enterprises with foreign investment, special trade license* (特種行業許可證)

In addition to the relevant licenses, permits and certificates listed above, Dongguan Hillview has also obtained the following: Food and beverage permit* (衛生許可證), PRC customs registration certificate* (中華人民共和國海關進出口貨物收發貨人報關註冊登記證書) and the approval for the set up of the Target Company in Dongguan by the Dongguan provincial government* (關於粵港臺合資經營東莞正大高爾夫球有限公司可行性研究報告的批復).

Based on the due diligence exercise conducted by the PRC Legal Adviser, Dongguan Hillview currently owns Sofitel Dongguan Golf Resort Hotel (previously known as Hillview Hotel 逸峰閣酒店), which has since September 2005 been managed by companies under Accor S.A. (“**Accor**”), a French hotel group which owns the brand “Sofitel”, through the Management Contract (as defined below).

According to a management contract dated 18 May 2004 (as supplemented by several supplemental agreements) (the “**Principal Contract**”) entered into by, among others, Dongguan Royal Lagoon Hotel (“**Royal Lagoon Hotel**”) and AAPC Hong Kong Limited (“**AAPC Hong Kong**”), a subsidiary of Accor and which has been authorised by Accor to use or sublicense the brand “Sofitel” in China, Royal Lagoon Hotel shall be managed by AAPC Hong Kong since May 2004 and renamed as “Sofitel Dongguan Royal Lagoon Hotel 東莞索菲特御景灣酒店” and shall be managed in accordance with “Sofitel” brand and standards. In September 2005, Royal Lagoon Hotel and AAPC Hong Kong entered into an addendum to the Principal Contract (the “**Addendum**”), pursuant to which, among others, (i) Hillview Hotel 逸峰閣酒店 (the former name of Sofitel Dongguan Golf Resort Hotel) shall be managed by AAPC Hong Kong under the same conditions as in the Principal Contract in accordance with “Sofitel” brand and standards; and (ii) Dongguan Hillview shall pay management fee and incentive management fee of Hillview Hotel 逸峰閣酒店 to AAPC Hong Kong. In October 2005, by a letter from AAPC Hong Kong to and acknowledged and agreed by Royal Lagoon Hotel (the “**Letter**”), due to the reorganisation of AAPC Hong Kong, AAPC Shanghai Co., Ltd. (“**AAPC Shanghai**”), a subsidiary of AAPC Hong Kong and which has been sublicensed by AAPC Hong Kong to use the brand “Sofitel” in

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China, has been assigned all the rights and obligations of AAPC Hong Kong under the Principal Contract and the Addendum (the Principal Contract, the Addendum and the Letter as supplemented by addenda or supplemental agreements from time to time are hereinafter referred to as the “**Management Contract**”). On 25 December 2013, Dongguan Hillview issued a ratification letter to AAPC Shanghai and Royal Lagoon Hotel, pursuant to which Dongguan Hillview ratified, confirmed and agreed to be bound by the Management Contract in relation to the management of Sofitel Dongguan Golf Resort Hotel until the expiry of the term of the Management Contract, i.e. 31 December 2014. After which, Dongguan Hillview shall sign management contract directly with AAPC Shanghai in respect of the management of Sofitel Dongguan Golf Resort Hotel.

Based on the above, the PRC Legal Adviser confirmed that Sofitel Dongguan Golf Resort Hotel is authorised to operate under the brand “Sofitel”.

Businesses

Dongguan Hillview derived majority of its revenue for the three years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013 through operation of Dongguan Hillview Golf Club, which include club membership subscription fees, revenue from golf equipment and gifts shops, and green and other services fees. The revenue of Dongguan Hillview from Sofitel Dongguan Golf Resort Hotel mainly includes accommodation income, food and beverages sales and revenue from gift shops, etc. Dongguan Hillview aimed to promote its operating hotel through the cooperation with the international brand Sofitel and the continuous promotion and development of the reputation of Dongguan Hillview Golf Club.

Dongguan Hillview has cooperated with online travel agencies, golf associations and organisation in PRC to promote the brands and reputation of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel. In addition, Dongguan Hillview has mainly sourced its supplies for Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel from local market place and farms to ensure quality of food ingredients. Dongguan Hillview sourced its golf equipment and products in gift and souvenir shops from corporations in Dongguan, China to reduce the transportation costs. Dongguan Hillview has alternative suppliers so that it would not rely solely on any one particular supplier. As at the Latest Practicable Date, all the suppliers of Dongguan Hillview are third parties independent from the Company. Dongguan Hillview targeted its customers to celebrities, socialites or senior management of corporations which has strong purchasing power. Dongguan Hillview did not identify any major customers which account for more than 5% of the revenue of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel for each of the three years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013.

Marketing strategies

Since its commencement of operations in May 2002, Dongguan Hillview has focused to develop its reputation as a premium golf resort and hotel. The marketing strategies of Dongguan Hillview includes but not limited to the followings,

- *Emphasis on word of mouths and promotional activities among target customers*

Dongguan Hillview has focused on both promotional activities and liaison with target customers in order to foster brand image and reputation of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel among customers with strong purchasing power to maintain and expand its client base. The management of Dongguan Hillview believes that the word of

LETTER FROM THE BOARD

mouths of the affluent individuals which may or may not be existing golf club members are effective to attract its target customers. The management of Dongguan Hillview and its sales department will continuously monitor the market trend in order to tailor-made suitable promotional activities.

- *Organise regular golf related events and competitions*

Dongguan Hillview regularly cooperated with property developers, major automobiles corporations and financial institutions to organise golf related events and competitions to attract celebrities, socialites or audience with strong purchasing power.

- *Increase auxiliary services value of club membership*

Dongguan Hillview occasionally offers complimentary services to golf club holders, such as discount or promotional gifts for sales of golf equipment, priority ordering of products, hospitality services in Sofitel Dongguan Golf Resort Hotel etc.

Business strategies

The primary objectives of the Dongguan Hillview are to strengthen its position in the golf industry in the PRC and further expand its business operations. Dongguan Hillview will endeavour to achieve the above-mentioned business objectives through the following plans. The below plans are subject to many uncertainties and unpredictable factors and as such, there is no assurance that the Dongguan Hillview's business plans will materialise.

The Company intends to continue with the existing business plans of Dongguan Hillview in connection with the business of Dongguan Hillview as set out below and does not intend to introduce major changes to Dongguan Hillview's businesses other than in the ordinary course of the business of Dongguan Hillview upon Completion. In addition, the Company will from time to time review strategic options with regard to the businesses of Dongguan Hillview. Further details of the financial and trading prospect of the Group are disclosed in the paragraph headed "Financial and Trading Prospect of the Group" set out in Appendix I to this circular.

- *Expansion in the range of services offering*

Dongguan Hillview intends to increase its source of income by expanding its range of services offering, such as, ordering of golf equipment, golf related training courses, golf events and competitions, flight ticketing and transportations, etc. with cooperation with other service agencies. The management of Dongguan Hillview believes that the development of diversified services can assist the sales department of Dongguan Hillview to reach out to its potential customers and offer tailor-made services to its prestigious customers and thus increasing its revenue.

- *Enhance existing facilities of golf course*

The management of Dongguan Hillview believes that, in addition to the quality of golf courses, the auxiliary facilities and decoration in the golf club and hotel are also important to the customers' experience. In order to stay competitive in the market, Dongguan Hillview will continue to enhance its existing leasehold improvement in its golf club and hotel with an aim to provide

LETTER FROM THE BOARD

its customers with a comfortable environment. The management of Dongguan Hillview considers such enhancement can benefit Dongguan Hillview on its branding, which eventually may result in higher club membership subscription fees and revenue from hotel accommodations, consumptions and facilities rental.

- *Strengthen staff training*

Dongguan Hillview is committed to enhance the knowledge and qualification of its employees. Dongguan Hillview will provide the senior management of Dongguan Hillview with opportunities to attend management seminars or courses in the PRC with an aim to strengthen the management skills and the human resources management of the Group.

In addition, Dongguan Hillview has provided and shall continue to provide on-the-job training to its employees based on their job duties which includes, among others, customer services, safety and quality control in different aspects of the operations of golf club and hotel to ensure that the operations of Dongguan Hillview are safe and to improve their practical business skills of employees of Dongguan Hillview.

Management

The Company expects to appoint four representatives, including Mr. Li Tongshuang, executive Director and managing director of the Company to the board of directors of Dongguan Hillview upon Completion in order to oversee its businesses. Upon Completion, the composition of the board of directors of Dongguan Hillview is expected to comprise of five directors, four of which are expected to be nominated and appointed by the Company.

Scale of operations and financial information

The scale of operations of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel as represented by revenue from the operation of golf club and provision of hotel and leisure services for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013 as extracted from Appendix IIB to this circular are as follows:

	Year ended		Nine months
	31 December		ended
	2011	2012	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operations of golf club	99,333	94,126	81,870
Hotel and leisure services	29,641	29,749	21,285
	<hr/>	<hr/>	<hr/>
Total	<u>128,974</u>	<u>123,875</u>	<u>103,155</u>

As set out in the Appendix IIA to this circular, the auditor of the Company has given a disclaimer of opinion on the financial statements of the Target Company for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013, please refer to the paragraph headed "The Audit Qualification" in this section for further information relating to its impact on the Company. The audited financial results of the Target Company for the two latest financial years as extracted from Appendix IIA to this circular are as follows:

LETTER FROM THE BOARD

	Year ended 31 December		Nine months ended 30 September
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	(2)	(6)	(4)
Loss after tax	(2)	(6)	(4)

As Dongguan Hillview will become a subsidiary of the Target Company and will become an indirect subsidiary of the Company upon Completion, please find below the audited financial results of Dongguan Hillview for the two latest financial years as extracted from Appendix IIB to this circular as follows:

	Year ended 31 December		Nine months ended 30 September
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	128,974	123,875	103,155
Profit before tax	11,797	14,848	19,687
Profit after tax	8,681	11,723	15,196

The audited net assets of Dongguan Hillview as at 30 September 2013 of approximately RMB231.5 million as extracted from Appendix IIB were adjusted to approximately RMB984.4 million (equivalent to approximately HK\$1,250.5 million) with reference to the estimated fair value increases in the property, plant and equipment and intangible assets of approximately RMB77.6 million and RMB926.3 million respectively, and estimated deferred tax liabilities of approximately RMB251.0 million set out in note c to Appendix III to this circular, which is based on preliminary valuation of RMB1,310.0 million performed by Vigers as at 30 September 2013 conducted on a combination of the market and depreciated replacement cost approach and updated to 31 December 2013 as set out in Appendix V to this circular. Accordingly, the proportionate share of the net assets of Dongguan Hillview by the Target Company as at 30 September 2013 was approximately RMB639.9 million (equivalent to approximately HK\$812.9 million), taking into account the preliminary valuation of the Properties performed by Vigers as at 31 December 2013.

The financial information of the Target Company and Dongguan Hillview for the three years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 are set out in the respective accountants' report in Appendices IIA and IIB to this circular.

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Employees

As at 28 February, 2014, Dongguan Hillview had 747 full-time employees. The following table set forth the breakdown of the employees of Dongguan Hillview by business function as of 28 February, 2014:

	Number of employees	% of total
<i>Dongguan Hillview Golf Club</i>		
Golf club department	334	44.71%
Club membership department	101	13.52%
Green department	84	11.24%
Security department	28	3.75%
Finance department	26	3.48%
Construction department	19	2.54%
Human resources department	12	1.61%
Sales department	11	1.47%
Management team	5	0.67%
Sub-total	<u>620</u>	<u>83.00%</u>
<i>Sofitel Dongguan Golf Resort Hotel</i>		
Restaurant department	43	5.76%
Housekeeping department	27	3.61%
Reception and concierge	16	2.14%
Hospitality department	14	1.87%
Security department	11	1.47%
Management team	6	0.80%
Construction department	5	0.67%
Finance department	5	0.67%
Sub-total	<u>127</u>	<u>17.00%</u>
Total	<u>747</u>	<u>100.00%</u>

Consideration

The Consideration of the Proposed Acquisition is RMB585.0 million (equivalent to approximately HK\$743.1 million) which was determined with reference to, among others, the unaudited net asset value of the Target Company, adjusted with the preliminary valuation of the Properties as at 31 December 2013. The Consideration represents a discount of approximately 8.6% to the proportionate share of the audited net assets of Dongguan Hillview by the Target Company as at 30 September 2013, taking into account the preliminary valuation of the Properties performed by Vigers as at 31 December 2013 as set out in Appendix V to this circular.

Subject to the satisfaction or waiver of all the Conditions Precedent, the Purchaser will pay the Consideration to the Vendor by the issuance of Promissory Note. The settlement of the Promissory Note is expected to be funded by the internal resources of the Group and through the recoverable of receivables of the Company. The Company is entitled to settle part of the

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Consideration amounting up to HK\$130 million by assignment of receivables of the Company on or before the maturity of the Promissory Note and thereafter, the outstanding principal amount of the Promissory Note shall be reduced accordingly. Based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013, the unaudited trade and bills receivables of the Group as at 30 June 2013 amounted to approximately HK\$73.1 million. The SPA does not prescribe and as at the Latest Practicable Date, the Company has not prescribed for specific receivables which would be used to settle part of the Consideration. Shall the Company make any payment under the Promissory Note, the Board will consider the then cash flow and capital sufficiency of the Company to decide if they will, subject to receiving the acknowledgement of assignment of receivables by relevant debtors, assign any receivables of the Company to settle part of the outstanding principal amount of the Promissory Note.

Principal terms and conditions of the Promissory Note

Issuer:	the Company
Principal amount:	HK\$743.1 million
Maturity date:	the 3rd anniversary of the issue date
Interest:	the Promissory Note does not bear any interest
Early repayment:	the Company has the right at any time and from time to time on giving not less than 14 calendars' day prepayment notice to prepay the entire outstanding principal amount or any part thereof in multiples of HK\$1,000,000 prior to the maturity date of the Promissory Note. The holder of the Promissory Note may waive or consent to a shorter period of prepayment notice.

Conditions Precedent

Completion shall be conditional upon satisfaction or waiver as applicable of each of the following Conditions Precedent:

- a) the passing of resolutions by the Shareholders who are entitled to vote at the EGM in accordance with the Listing Rules by way of poll approving the SPA and the transactions contemplated thereunder, including the purchase of the Sale Shares and the issue of the Promissory Note;
- b) the Stock Exchange not having indicated that it will treat or, as the case may be, rule the SPA and the transactions contemplated thereunder as a reverse takeover and/or the Company will be deemed as a new listing applicant under the Listing Rules;
- c) the Company and the Purchaser having conducted a due diligence review of and being satisfied with the assets, liabilities, operation, taxation, books and accounts, corporate records and legal matters of the Target Group;

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- d) the Vendor having obtained all necessary approvals, authorisations, consents from and completed all necessary registrations and filings (if applicable) with the relevant governmental authorities or regulatory bodies (including but not limited to the governmental authorities or regulatory bodies in PRC), its shareholders or any third parties in respect of the SPA and the transactions contemplated thereunder;
- e) the Company and the Purchaser having obtained a PRC legal opinion issued by qualified PRC legal advisers engaged by them, with respect to any company within the Target Group which is established in PRC, in such substance to the reasonable satisfaction of the Company;
- f) the Company and the Purchaser having obtained a BVI legal opinion or due diligence report issued by qualified BVI legal advisers with respect to the Target Company, in such substance to the reasonable satisfaction of the Company;
- g) the Vendor and HNA Hong Kong having provided to the Company and the Purchaser a deed of indemnity in respect of the Target Group in such substance to the satisfaction of the Company;
- h) since the date of the SPA and up to the Completion Date,
 - (i) there being no adverse change in the business, assets, financial position and operation of the Target Group which the Purchaser and the Company reasonably consider to be material to the SPA and the transactions contemplated thereunder;
 - (ii) there being no on-going or pending investigation, action, arbitration, claim or any other legal proceeding, whether initiated or threatened to be initiated by any court, adjudication board or tribunal or any governmental authority of competent jurisdiction, which the Purchaser and the Company reasonably consider to be material to the SPA and the transactions contemplated thereunder;
 - (iii) there being no event or circumstance which causes any representation, undertaking, covenant or warranty given by the Vendor in the SPA to be materially untrue or inaccurate, which the Purchaser and the Company reasonably considers to be material to the SPA and the transaction contemplated thereunder; and
 - (iv) there being no proposed enactment, promulgation or enforcement by any authority of any ordinances, rules, orders, judgments, notices or awards, which prohibits, restricts or materially delays the execution or performance of the SPA and the transactions contemplated thereunder by the Vendor.

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- i) the Vendor having provided to the Company and the Purchaser a corporate guarantee given by HNA Hong Kong in favour of the Company, the Purchaser and Dongguan Hillview in respect of the due performance of all the obligations owed by HNA Huanan to Dongguan Hillview in relation to the Loan Advances and the due performance of all obligations by the fellow subsidiary of HNA Hong Kong in relation to its bank borrowing covered by the Guarantee Agreement, and which shall be in such substance to the satisfaction of the Company;
- j) the completion of amendment of relevant memorandum and articles of association of Dongguan Hillview, such that the Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS; and
- k) the Vendor having terminated the Pledge of Assets.

The Company and the Purchaser may at any time waive in whole or in part all or any of the Condition Precedent (h) by notice in writing to the Vendor. If any of the Conditions Precedent has not been fulfilled or waived (as the case may be) on or before 30 June 2014 or such later date as maybe agreed between the Company, the Purchaser and the Vendor, (except Conditions Precedent (g), (h) and (i) which can take place simultaneously with Completion), the SPA shall automatically be terminated (save and except for clauses relating to confidentiality, notice and governing laws which shall continue to have full force and effect). Neither party shall have any obligations nor liabilities towards each other thereafter save for any antecedent breaches of the terms thereof.

In connection with the Condition Precedent (c) set out above, the Company has, among others, (i) engaged the PRC Legal Adviser to conduct legal review and prepare legal opinion on Dongguan Hillview which include operations, corporate records and legal matters of Dongguan Hillview; and (ii) reviewed the draft accountants' report on Target Company and Dongguan Hillview for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013. As at the Latest Practicable Date, the Company has not identified any material issues in connection with its due diligence review on the Target Company and Dongguan Hillview. As at the Latest Practicable Date, the Condition Precedent (b) set out above has been met to the satisfaction of the Board.

Completion

Completion shall take place on the Completion Date falling on the fifth Business Day (or such other date as the Company, the Purchaser and the Vendor may agree in writing) after all the Conditions Precedent under the SPA having been fulfilled or waived (as the case may be) by the relevant parties thereto.

Indemnity

As a Condition Precedent of the SPA, the Vendor and HNA Hong Kong shall execute a deed of indemnity in favour of the Company and the Purchaser, pursuant to which the Vendor and HNA Hong Kong will undertake to indemnify and keep indemnified each of the Target Group, the Company and the Purchaser (for itself and as trustee, agent or representative for any member

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of the Target Group) against losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines which any of them may suffer, sustain or incur (as the case may be) in connection with (including but not limited to) (a) any taxes payable by any member of the Target Group or derived from any incomes, profits, revenues, transactions, employments, events, matters or issues in relation with any of member of the Target Group incurred prior to the Completion Date; (b) the failure of any member of the Target Group to pay for its employees any social insurance, pension fund, housing provident fund or any other social insurance or similar schemes in accordance with the requirements of PRC laws and regulations prior to the Completion Date; (c) any breach or non-compliance of the requirements of the PRC laws and rules on foreign exchange regulation by any member of the Target Group prior to the Completion Date; (d) any breach or non-compliance of the laws of Hong Kong, PRC or BVI by any member of the Target Group prior to the Completion Date; (e) exercising or enforcing their rights or intentions under this deed of indemnity or the SPA; (f) any deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased by any member of the Target Group; and (g) enforcing the legal rights in connection with the debts or contracts of any members of the Target Group prior to the Completion Date.

The above indemnities do not cover any claims or obligations in respect of the following matters:

- a) any obligations arising from changes in any relevant laws, regulations or policies after Completion Date;
- b) any obligations prepared, reserved or maintained in the audited accounts of the Target Group pursuant to relevant recognised accounting standards, other than any fraud;
- c) such claims or obligations paid by any other person outside of the Target Group, for which any member of Target Group has no responsibilities to repay to such person; and
- d) the taxes incurred in the ordinary course of the Target Group's business after 31 December 2012, subject to the payment of taxes incurred in the ordinary course of the Target Group's business during the period from 31 December 2012 to the Completion Date when fall due and payable.

Financial impact of the Proposed Acquisition on the Group

Earnings

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group. In addition, as a Condition Precedent to the SPA, Dongguan Hillview will also become a subsidiary of Target Company. Considering Dongguan Hillview has continued to operate its business, it is expected that the Company will be able to record additional income stream from the Target Group upon Completion.

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Assets and Liabilities

Based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013, the unaudited net asset value of the Group as at 30 June 2013 was approximately HK\$1,017.2 million. Based on the unaudited pro forma consolidated statement of financial information of the Enlarged Group as if the Proposed Acquisition had been completed on 30 June 2013 as set out in Appendix III to this circular, the total assets of the Enlarged Group would be increased by approximately HK\$2,443.4 million to approximately HK\$4,709.5 million and total liabilities of the Enlarged Group would be increased by approximately HK\$1,787.0 million to approximately HK\$3,035.8 million. Accordingly, the unaudited net asset value of the Enlarged Group will increase by approximately HK\$656.5 million to approximately HK\$1,673.7 million.

Financial Leverage

Based on the interim report of the Group for the six months ended 30 June 2013, the financial leverage ratio (defined as net debt over total capital of the Company) was approximately 22.8%. According to the unaudited pro forma consolidated statement of financial information of the Enlarged Group as if the Proposed Acquisition had been completed on 30 June 2013 as set out in Appendix III to this circular, the net debt of the Enlarged Group would be approximately HK\$1,393.9 million (which include convertible loan notes of approximately HK\$236.3 million, promissory note of approximately HK\$582.8 million, borrowings of approximately HK\$724.9 million, cash and bank balance of approximately HK\$39.3 million, and pledged bank deposits of approximately HK\$110.8 million) and the total capital (equity and total debts) of the Enlarged Group would be approximately HK\$2,703.1 million, respectively, with the financial leverage ratio of approximately 51.6%.

The Audit Qualification

As set out in the Appendix IIA to this circular, the auditor of the Company has given a disclaimer of opinion on the financial statements of the Target Company for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013. The Target Company has not measured the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of the Target Company's share of the net fair value of Dongguan Hillview's identifiable assets and liabilities and the deemed cost of investment in Dongguan Hillview. In addition, the Target Company's investment in a joint venture was carried at deemed cost less any impairment as at 31 December 2011 and 2012 and 30 September 2013. This is not in accordance with HKAS 28 (2011) "Investments in Associates and Joint Ventures", which requires the Target Company to account for its interest in a joint venture using the equity method. In addition, the Target Company has not disclosed certain financial information of the Target Company's investment in a joint venture as at 31 December 2011 and 2012 and 30 September 2013 and for each of the two years ended 31 December 2011 and 2012 and the nine months ended 30 September 2012 and 2013, as required by HKFRS 12 "Disclosure of Interests in Other Entities which represents adjustments made by the Target Company to the financial statements when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies. In addition, the Target Company is required to provide a reconciliation of the summarized financial information presented to the carrying amount of its investment in the joint venture, details of which are set out in the Appendix IIA to this circular.

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The Target Company acquired 65% of the registered capital of Dongguan Hillview on 26 June 2011 (the “**Acquisition Date**”). At the Acquisition Date, the Target Company did not measure the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of the Target Company’s share of the net fair value of Dongguan Hillview’s identified assets and liabilities and the deemed cost of investment in Dongguan Hillview in accordance with the relevant accounting standards. In the absence of an appropriate valuation exercise performed at the Acquisition Date, the Target Company is unable to account for its investment in joint venture using the equity method in accordance with HKAS 28 (2011) which requires fair value adjustments to its identified assets and liabilities at the Acquisition Date. The investment cost of 65% equity interest in Dongguan Hillview recognised by the Target Company was determined based on the original investment cost of Dongguan Hillview held by Chia Tai Golf Development Company Limited, the former shareholder of Dongguan Hillview. Any fair value adjustments necessary to be made to the identified assets and liabilities at the Acquisition Date cannot be reflected in the investment in joint venture even the Target Company accounts for its investment in joint venture using the equity method in accordance with HKAS 28 (2011). The directors of the Target Company are of the opinion that it would involve expenses and delay out of proportion to the value to the members of the Target Company. As at the Latest Practicable Date, Dongguan Hillview is a joint venture of the Target Company. On Completion, the relevant memorandum and articles of association of Dongguan Hillview, such that the Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS.

Considering that (i) the disclaimer of opinion on the financial statements of the Target Company is due to the failure to follow HKAS 28 (2011) and HKFRS 12 which will not exist upon Dongguan Hillview becoming a subsidiary of the Target Company; (ii) it is one of Conditions Precedent that the relevant memorandum and articles of association of Dongguan Hillview will be amended such that Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS on Completion; and (iii) the auditor of the Company has given unqualified opinion on the financial statements of Dongguan Hillview for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013, the Directors consider that the disclaimer of opinion on the financial statements of the Target Company as explained above will have no material impact on the consolidated financial statements of the Group upon Completion.

Accordingly, despite the auditor of the Company giving a disclaimer of opinion on the financial statements of the Target Company for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013 as set out in Appendix IIA to this circular, Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS on Completion and the auditor of the Company has given unqualified opinion on the financial statements of Dongguan Hillview for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013 as explained above. In view of the foregoing, the Directors are of the view that the accountants’ reports disclosed in Appendix IIA and Appendix IIB in their existing forms would provide the Shareholders an accurate and complete picture of the Target Group’s businesses for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013.

LETTER FROM THE BOARD

Reasons for and benefits of entering into the SPA

Challenges of the Group

The Group is principally engaged in the development and provision of system integration solutions, system design and sale of system hardware. As disclosed in the Company's 2011 and 2012 annual reports, the Company has been advised by the Southern Media Corporation, a state-owned enterprise in PRC, regarding the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "**Reform**") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province will be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播網絡有限公司), a state-owned enterprise in PRC. As a result, the Group will no longer be able to operate the digital television technical solution and equivalent business and is required to exit from the existing business.

PRC business environment

Pursuant to the challenges in the existing businesses of the Group set out above and the interim report of the Group for the six months ended 30 June 2013, the Group is actively exploring new business opportunities for investment and development so as to bring better return to Shareholders in the future. The Board recognises the rapid development of the tourism industry in PRC in recent years supported by the 12th Five-Year Plan of PRC encouraging and promoting the development of the tourism industry. In addition, according to the "Guidelines of the Plan for the Promotion of Tourism Industry Development" issued by the State Council, the tourism industry is one of the strategic pillar industries in (i) the development of the economy in PRC and (ii) the improvement of the social well-being of Chinese citizens and therefore deserves increased dedication of resources, particularly to expand the industry in urban areas such as Dongguan. Given the substantial improvement in infrastructural and transportation networks around China as well as the increased dedication to improved urban planning and personnel training, annual revenue of the tourism industry in PRC is projected to grow by approximately 10% from 2011 to 2015, demonstrating PRC's strong commitment to the industry's development. By 2015, the tourism industry is expected to contribute approximately 4.5% to the national GDP, and tourism spending is expected to reach approximately 10% of total household consumption.

Dongguan Hillview is principally engaged in the provision of recreational and tourism services through the ownership and management of Dongguan Hillview Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities in Dongguan, PRC, and is an attractive acquisition target for the Group as it focuses on the high-net-worth individuals in PRC who are able to afford leisure and recreational travelling. According to the official website of Dongguan Hillview Golf Club (www.hillviewgolf.com), Dongguan Hillview Golf Club is located near the Dongguan city centre and is proximate to the major highway, port and airport in Guangdong Province. Since its commencement of operation in 2002, it has received several awards including but not limited to "中國百佳球場"(China 100 Greatest Golf Course) issued by Golf Digest, an international golf magazine.

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The Board considers that the Proposed Acquisition will benefit the Group from the prime real estate, tourism, and leisure opportunities provided by the Target Company's ownership of Dongguan Hillview and will strengthen the revenue stream of the Group without an immediate cashflow requirement to settle the Consideration. In addition, Mr. Li Tongshuang, executive Director and managing director of the Company, has extensive management knowledge and working experience in hotel operation and property development. The management of Dongguan Hillview has an average of more than 10 years of experience in the operations and management of golf club and hotel. The Directors intend to leverage on the vast experiences of Mr. Li Tongshuang and expect to retain experienced management of Dongguan Hillview to manage the business of the Target Company. Furthermore, the Board considers that the Consideration, after taking into account the discount of approximately 8.6% to the proportionate share of the audited net assets of Dongguan Hillview by the Target Company as at 30 September 2013 and the valuation of the Properties performed by Vigers as at 31 December 2013 as set out in Appendix V to this circular, is favourable for the investment opportunity.

As part and parcel of the Proposed Acquisition, Dongguan Hillview will extend the Loan Advances to HNA Huanan and corporate guarantee to a fellow subsidiary of HNA Hong Kong under the Guarantee Agreement, further details of which have been disclosed under the paragraph headed "Possible major and connected transactions in relation to provision of financial assistance" in this section, in relation to which a corporate guarantee will be given by HNA Hong Kong in favour of the Company, the Purchaser and Dongguan Hillview upon Completion. Since the Promissory Note will mature by the 3rd anniversary of the issue date and the Vendor has covenanted to the Company and the Purchaser that, until the full settlement of the Loan Advances has been made, it shall procure the repayment HK\$100 million due under the Loan Advances by HNA Huanan to Dongguan Hillview within one month after each time the Company having settled its payment in an aggregated amount of HK\$100 million under the Promissory note.

Accordingly, the Proposed Acquisition allows the Group to capture investment opportunities while at the same time provides the Target Group with the benefit of a corporate guarantee for recovering its financial assistances extended to HNA Huanan and a fellow subsidiary of HNA Hong Kong. Despite the increase in the estimated financial leverage ratio of the Enlarged Group as a result of the Proposed Acquisition as set out in the paragraph headed "Financial impact of the Proposed Acquisition on the Group" in this section, having considered that (i) the Proposed Acquisition is in line with the Group's strategy to explore investment opportunities which would bring return to the Shareholders; (ii) the favourable location of Dongguan Hillview Golf Club; (iii) the positive outlook of the economy and tourism industry of PRC; and (iv) the experience of Mr. Li Tongshuang and the management team of Dongguan Hillview in the hotel operation and property development, the Directors we are of the view that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As the Vendor is controlled by the HNA Hong Kong through its nominees and HNA Hong Kong is a substantial shareholder of the Company, the Vendor is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Therefore, the SPA and the Proposed

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Acquisition constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Proposed Acquisition under the Listing Rules exceed(s) 25% but is less than 100%, the Proposed Acquisition constitutes both a non-exempt connected transaction and a major transaction, which shall be subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

3. POSSIBLE MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

Loan Advances

Pursuant to a loan agreement entered into between Dongguan Hillview as lender and HNA Huanan as borrower on 30 September 2011, Dongguan Hillview agreed to lend to HNA Huanan an amount up to RMB400 million (equivalent to approximately HK\$508.1 million) with an interest rate of 9% per annum payable on a monthly basis for the business operation of HNA Huanan. In addition, Dongguan Hillview as lender has also advanced HNA Huanan an amount of approximately RMB35.7 million (equivalent to approximately HK\$45.4 million) which is non-interest bearing for the business operation of HNA Huanan. As at 30 September 2013, the aggregate outstanding Loan Advances amounted to approximately RMB480.7 million (equivalent to approximately HK\$610.6 million), whereas the principal amount of interest-bearing loan advances is RMB380.0 million (equivalent to approximately HK\$482.7 million). The repayment date of the interest-bearing Loan Advances shall be on or before 30 September 2017. The Target Company and Dongguan Hillview also maintained balances with other fellow subsidiaries of HNA Hong Kong from the ordinary course of business which will be settled prior to Completion.

Pursuant to the SPA, the Vendor covenanted to the Company and the Purchaser that, until the full settlement of the Loan Advances has been made, it shall procure the repayment of HK\$100 million under the Loan Advances by HNA Huanan to Dongguan Hillview within one month after each time the Company having settled its payment in an aggregate amount of HK\$100 million under the Promissory Note. Notwithstanding that the interest-bearing Loan Advances and the Promissory Note have stipulated its respective repayment/maturity dates, the reason for such an arrangement is to allow the Company to expedite the time for obtaining and secure the repayment from the interest-bearing Loan Advances pursuant to the settlement of the Promissory Note. Considering the abovementioned arrangement and (i) the interest rate of the Loan Advances is higher than the interest rate of the bank borrowings borne by Dongguan Hillview; (ii) the holding company and a fellow subsidiary of HNA Hong Kong had provided a corporate guarantee to Dongguan Hillview in respect of bank borrowings of Dongguan Hillview of up to RMB400 million for the period from 22 September 2011 to 21 September 2019; and (iii) the Promissory Note is interest-free which allows the Group to capture the growth potential of the golf course business of Dongguan Hillview without immediate cash outlay and interest burden, the Directors consider that there are sufficient measures to protect the interests of the Company in respect of the Loan Advances whereas such arrangement is fair and reasonable and in the interests of the Company.

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Guarantee Agreement

Pursuant to the Guarantee Agreement, Dongguan Hillview as guarantor has entered into the Guarantee Agreement with a financial institution dated 6 March 2013, where Dongguan Hillview agreed to provide a corporate guarantee for a fellow subsidiary of HNA Hong Kong for its bank borrowing of up to RMB5.0 million (equivalent to approximately HK\$6.4 million) for the period from 6 March 2013 to 6 March 2014. As at 30 September 2013, the outstanding bank borrowing of the fellow subsidiary amounts to RMB5.0 million (equivalent to approximately HK\$6.4 million).

Listing Rules Implications

As HNA Huanan is a fellow subsidiary of HNA Hong Kong and thus an associate of HNA Hong Kong, HNA Huanan is a connected person of the Company as defined under Chapter 14A of the Listing Rules. The Target Company and Dongguan Hillview will become subsidiaries of the Group upon Completion, the continued provision of the Loan Advances and the provision of corporate guarantee by Dongguan Hillview under the Guarantee Agreement which are incidental to the Completion also constitutes a connected transactions on part of the Company for the purpose of the Listing Rules. As one or more of the applicable percentage ratios of the financial assistance provided under the Loan Advances under the Listing Rules exceed(s) 25% but is less than 100%, the Loan Advances therefore constitutes a major transaction.

In addition, as the amount of the Loan Advances exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the Loan Advances also constitute an advance to entities under Rule 13.13 of the Listing Rules and the details of which are disclosed herein in compliance with Rules 13.13 and 13.15 of the Listing Rules. The Company will also comply with the continuing disclosure obligation under Rule 13.20 of the Listing Rules.

Pursuant to Rule 14A.41 of the Listing Rules, such connected transactions under the Loan Agreement and the Guarantee Agreement shall be subject to all applicable reporting and disclosure requirement if the Proposed Acquisition materialises, under Chapter 14A of the Listing Rules. The Company will comply in full with all applicable reporting, disclosure of and, if applicable, the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of such transactions.

4. POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO RECEIPT OF FINANCIAL ASSISTANCE

Corporate guarantee on Loan Advances and Guarantee Agreement

Pursuant to the SPA, the Vendor shall procure that a corporate guarantee will be given by HNA Hong Kong upon Completion in favour of the Company, the Purchaser and Dongguan Hillview for the due performance of all the obligations of HNA Huanan owed to Dongguan Hillview in relation to the Loan Advances and the fellow subsidiary of HNA Hong Kong in relation to the Guarantee Agreement.

LETTER FROM THE BOARD

Corporate guarantee on bank borrowings of Dongguan Hillview

Pursuant to loan and guarantee agreements of Dongguan Hillview dated 22 September 2011, the holding company and a fellow subsidiary of HNA Hong Kong has provided a corporate guarantee for Dongguan Hillview in respect of bank borrowings of Dongguan Hillview of up to RMB400 million (equivalent to approximately HK\$508.1 million) for the period from 22 September 2011 to 21 September 2019. As at 30 September 2013, the outstanding bank borrowings of Dongguan Hillview amounted to RMB399.5 million (equivalent to approximately HK\$507.5 million).

Listing Rules Implications

As HNA Hong Kong is a substantial shareholder and connected person of the Company, the provision of the corporate guarantee by HNA Hong Kong to the Company, the Purchaser and Dongguan Hillview, and the provision of the corporate guarantee by the holding company and a fellow subsidiary of HNA Hong Kong in respect of bank borrowing of Dongguan Hillview are connected transactions under Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.65(4) of the Listing Rules, these connected transactions should be exempted from the reporting, announcement and the Independent Shareholders' approval requirements as no security over the assets of the Group is granted in respect of the corporate guarantee.

5. GENERAL

As at the Latest Practicable Date, HNA Hong Kong held and controlled 691,100,000 Shares, representing approximately 25.67% of the issued share capital of the Company, and none of its associates was interested in any Shares. Mr. Li Tongshuang, executive Director and managing director of the Company, is currently an assistant president of HNA Hong Kong and therefore considered to have a material interest in the SPA, the Proposed Acquisition and the relevant transactions contemplated therein. As such, Mr. Li Tongshuang abstained from voting at the meeting of the Board approving the said transactions accordingly. In addition, HNA Hong Kong and its associates will be required to abstain from voting at the EGM on resolutions in relation to the SPA, the Proposed Acquisition and the relevant transactions contemplated therein. Save as disclosed, no other Shareholder will be required to abstain from voting in respect of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein. Save for the above, none of the Directors have any material interest in the Proposed Acquisition.

6. THE EGM

A notice convening the EGM to be held at Units 2606A-2608, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong, at 11:00 a.m. on Thursday, 24 April 2014 is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, to approve, inter alia, the SPA, the Proposed Acquisition and the relevant transactions contemplated therein.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrars of the Company, Tricor Tengis

LETTER FROM THE BOARD

Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

7. RECOMMENDATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee set out on pages 27 to 28 of this circular which contains its recommendation to the Independent Shareholders; and
- (ii) the letter from the Independent Financial Adviser set out on pages 29 to 50 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

Under the terms of the SPA, the Vendor shall procure that a corporate guarantee will be given by HNA Hong Kong in favour of the Company, the Purchaser and Dongguan upon Completion, and the Board (including the members of the Independent Board Committee, who have taken into account the advice of the Independent Financial Adviser) considers that the SPA, the Proposed Acquisition and the relevant transactions contemplated therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve the SPA, the Proposed Acquisition and the relevant transactions contemplated therein at the EGM.

The SPA, the Proposed Acquisition and the relevant transactions contemplated therein are subject to the fulfillment of a number of Conditions Precedent, As such, the SPA, the Proposed Acquisition and the relevant transactions contemplated therein may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

8. ADDITIONAL INFORMATION

Your attention is drawn to the information contained in Appendix I to Appendix VI to this circular.

Yours faithfully,
For and on behalf of the Board
Shougang Concord Technology Holdings Limited
Mung Kin Keung
(Executive Chairman)



首長科技集團有限公司
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

26 March 2014

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION;
(2) POSSIBLE MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF FINANCIAL ASSISTANCE; AND
(3) POSSIBLE CONNECTED TRANSACTIONS IN RELATION TO
RECEIPT OF FINANCIAL ASSISTANCE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 26 March 2014 issued by the Company to its Shareholders (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the entering into the SPA and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Independent Board Committee have any direct or indirect interest in the SPA.

In addition, the Independent Financial Adviser has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 29 to 50 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 26 of the Circular and the general information set out in the Appendix VI.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the SPA and the advice of the Independent Financial Adviser, we are of the opinion that the SPA, the Proposed Acquisition and the relevant transactions contemplated therein are on normal commercial terms and in the ordinary and usual course of business of the Company, and the Proposed Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the SPA, the Proposed Acquisition and the relevant transactions contemplated therein to be proposed at the EGM.

Yours faithfully,

For and on behalf of

The independent board committee of

Shougang Concord Technology Holdings Limited

Leung Kai Cheung

Liem Chi Kit, Kevin

Lam Kin Fung, Jeffrey

Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein, prepared for the purpose of incorporation in this circular.



高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

26 March 2014

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION (2) POSSIBLE MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the SPA, the Proposed Acquisition and the relevant transaction contemplated therein, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular dated 26 March 2014 issued by the Company (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 17 January 2014, the Company, the Purchaser and the Vendor entered into the SPA, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company for a consideration of RMB585.0 million (equivalent to approximately HK\$743.1 million), on the terms and subject to the conditions set out in the SPA.

As the Vendor is controlled by HNA Hong Kong through its nominees and HNA Hong Kong is a substantial shareholder of the Company, the Vendor is a connected person of the Company as defined under Chapter 14A of the Listing Rules. Therefore, the SPA and the Proposed Acquisition constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Proposed Acquisition under the Listing Rules exceed(s) 25% but are less than 100%, the Proposed Acquisition constitutes both a non-exempt connected transaction and a major transaction, and shall be subject to the reporting, announcement and the Independent Shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to a loan agreement entered into between Dongguan Hillview as lender and HNA Huanan as borrower on 30 September 2011, Dongguan Hillview agreed to lend to HNA Huanan an amount up to RMB400 million (equivalent to approximately HK\$508.1 million) with an interest rate of 9% per annum payable on a monthly basis for the business operation of HNA Huanan. In addition, Dongguan Hillview as lender has also advanced HNA Huanan an amount of approximately RMB35.7 million (equivalent to approximately HK\$45.4 million) which is non-interest bearing for the business operation of HNA Huanan. As at 30 September 2013, the aggregated outstanding Loan Advances amounted to approximately RMB480.7 million (equivalent to approximately HK\$610.6 million), whereas the principal amount of interest-bearing Loan Advances is RMB380.0 million (equivalent to approximately HK\$482.7 million). The repayment date of the interest-bearing Loan Advances shall be on or before 30 September 2017. The Target Company and Dongguan Hillview also maintained balances with other fellow subsidiaries of HNA Hong Kong from the ordinary course of business which will be settled prior to Completion.

Pursuant to the Guarantee Agreement, Dongguan Hillview as guarantor has entered into the Guarantee Agreement with a financial institution dated 6 March 2013, where Dongguan Hillview agreed to provide a corporate guarantee for a fellow subsidiary of HNA Hong Kong for its bank borrowing of up to RMB5.0 million (equivalent to approximately HK\$6.4 million) for the period from 6 March 2013 to 6 March 2014. As at 30 September 2013, the outstanding bank borrowing of the fellow subsidiary amounts to RMB5.0 million (equivalent to approximately HK\$6.4 million).

As HNA Huanan is a fellow subsidiary of HNA Hong Kong and thus an associate of HNA Hong Kong, HNA Huanan is a connected person of the Company as defined under Chapter 14A of the Listing Rules. The Target Company and Dongguan Hillview will become subsidiaries of the Group upon Completion, the continued provision of the Loan Advances and the provision of the corporate guarantee by Dongguan Hillview under the Guarantee Agreement which are incidental to the Completion also constitutes connected transactions on part of the Company for the purpose of the Listing Rules. As one or more of the applicable percentage ratios of the financial assistance provided under the Loan Advances under the Listing Rules exceed(s) 25% but is less than 100%, the Loan Advances therefore constitutes a major transaction.

Pursuant to Rule 14A.41 of the Listing Rules, such connected transactions under the Loan Advances and the Guarantee Agreement shall be subject to all applicable reporting and disclosure requirement if the Proposed Acquisition materialises, under Chapter 14A of the Listing Rules. The Company will comply in full with all applicable reporting, disclosure of and, if applicable, the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of such transactions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Leung Kai Cheung, Mr. Liem Chi Kit, Kevin and Mr. Lam Kin Fung, Jeffrey, has been established to make recommendations to the Independent Shareholders as to whether the terms of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein are fair and reasonable and whether the SPA, the Proposed Acquisition and the relevant transactions contemplated therein is in the interests of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein taking into account the recommendations of Goldin.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, Goldin, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA, the Proposed Acquisition and the relevant transactions contemplated therein and to make a recommendation as to, among others, whether the terms of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein are fair and reasonable and as to voting in respect of the relevant resolution(s) at the EGM.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, inter alia, the announcement of the Company dated 17 January 2014, the Circular, the SPA, the valuation report (the “Valuation Report”) prepared by Vigers, the annual report of the Company for the year ended 31 December 2012 (the “Annual Report 2012”) and the interim report of the Company for the six months ended 30 June 2013 (the “Interim Report 2013”). We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospect of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the SPA, the Proposed Acquisition and the relevant transactions contemplated therein and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material facts or information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Company, the Vendor, the Target Company or their respective subsidiaries or associates. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

The Group is principally engaged in the development and provision of system integration solutions, system design and sale of system hardware. Set out below is certain audited financial information of the Group for the two years ended 31 December 2011 and 2012 as extracted from the Annual Report 2012 and certain unaudited financial information of the Group for the six months ended 30 June 2012 and 2013 as extracted from the Interim Report 2013:

Table 1: Financial highlights of the Group

	For the year		For the six months	
	ended 31 December		ended 30 June	
	2012	2011	2013	2012
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from continuing operations	309,348	282,704	95,759	103,326
Loss attributable to the owners of the Company	(379,628)	(148,642)	(186,743)	(143,799)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			As at 31 December	As at 30 June
			2012	2011
			<i>(audited)</i>	<i>(audited)</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		147,978	214,200	64,523
Current assets		2,400,333	2,866,099	2,201,546
Current liabilities		1,292,451	1,540,614	1,248,824
Net current assets		1,107,882	1,325,485	952,722
Net assets		1,122,281	1,259,750	1,017,245

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2012, the Group recorded a revenue from continuing operations of approximately HK\$309.3 million, representing an increase of approximately 9.4% compared to approximately HK\$282.7 million recorded for the previous year. The increase in revenue was mainly attributable to the improvement in the progress of projects under the intelligent information business in the year compared to the previous year. The loss attributable to owners of the Company widened from approximately HK\$148.6 million for the year ended 31 December 2011 to a loss of approximately HK\$379.6 million for the year ended 31 December 2012. Loss for the year from continuing operations attributable to the owners of the Company increased by HK\$109.7 million compared to prior year. The main reason for the significant increase in loss is due to the difference in fair value change of the derivative components of convertible loan notes of HK\$131.7 million (2012: fair value gain HK\$68.5 million, 2011: fair value loss HK\$63.2 million) between the year of 2012 and 2011. Loss for the year from discontinued operations attributable to the owners of the Company increased by HK\$121.3 million compared to prior year. The increase in loss is attributable to the increase in loss derived from digital television business of HK\$74.8 million and increase in loss derived from photomask business of HK\$46.5 million. The increase in loss derived from digital television business is mainly due to the Group only receiving income from Guangdong Southern Yinshi Network Media Company Limited for the first half year of 2012, while no income was received subsequent to 30 June 2012. The increase in loss derived from photomask business mainly due to more provision made during 2012 in connection with delivery of photomask machinery upon the finalization and issuance of relevant equipment's inspection reports in 2012.

As at 31 December 2012, the audited net current assets and net assets of the Group amounted to approximately HK\$1,107.9 million and approximately HK\$1,122.3 million, respectively, decreasing by approximately 16.4% and approximately 10.9% from approximately HK\$1,325.5 million and from approximately HK\$1,259.8 million as at 31 December 2011 respectively.

For the six months ended 30 June 2013, the Group recorded a revenue from continuing operations of approximately HK\$95.8 million, representing a decrease of approximately 7.3% compared to approximately HK\$103.3 million recorded for the previous respective period. The drop in revenue was mainly attributable to the decrease in revenue from intelligent information business. Loss attributable to the owners of the Company for the period amounted to HK\$186.7 million (six months ended 30 June 2012: HK\$143.8 million). Loss for the period from continuing operations attributable to the owners of the Company increased by HK\$26.6 million compared to prior year. The main reason for the increase in loss was due to the provision of full impairment loss on goodwill for the intelligent information business of HK\$70.2 million during the period (provision of impairment loss on goodwill for the six months ended 30 June 2012 was HK\$4.7 million). During the period, the decrease in fair value of embedded derivative components of convertible loan notes of HK\$29.0 million (increase in fair value of HK\$0.2 million for the six months ended 30 June 2012) set off a certain amount of loss. Loss for the period from discontinued operations attributable to the owners of the Company increased by HK\$16.4 million compared to the prior year. Discontinued operations included digital television business and photomask business. Loss attributable to digital television business increased by HK\$74.3 million, which was mainly due to receipt of income of HK\$69.6 million from the provision of digital television equipment to Guangdong Southern Yinshi Network Media Company Limited during the first half of 2012 but ceased to receive the same subsequent to 30 June 2012. Loss attributable to photomask business decreased by HK\$58.0 million, which was mainly due to the provision in connection with the delivery of photomask machinery of HK\$58.0 million during the first half of 2012 but there was no relevant expenses during the current period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2013, the unaudited net current assets and net assets of the Group amounted to approximately HK\$952.7 million and approximately HK\$1,017.2 million, respectively, decreasing by approximately 14.0% and approximately 9.4% from approximately HK\$1,107.9 million and approximately HK\$1,122.3 million as at 31 December 2012 respectively.

2. Information on the Target Company

Target Company is an investment holding company incorporated with limited liability in BVI whose sole investment is in Dongguan Hillview as at the Latest Practicable Date. The Vendor originally purchased the Target Company at a consideration of approximately RMB407.4 million (equivalent to approximately HK\$517.5 million) in May 2012. Dongguan Hillview is a company established with limited liability in the PRC and is owned as to 65% and 35% by the Target Company and HNA Huanan, respectively as at the Latest Practicable Date. As at the Latest Practicable Date, since the Target Company does not control the board of directors of Dongguan Hillview according to the relevant memorandum and articles of association of Dongguan Hillview, Dongguan Hillview is a joint venture of the Target Company. As it is one of the Conditions Precedent that the amendment of relevant memorandum and articles of association of Dongguan Hillview has to be completed such that the Target Company will be entitled to appoint four out of five of the directors of Dongguan Hillview and control the board of directors of Dongguan Hillview, Dongguan Hillview will become a subsidiary of the Target Company and an indirect subsidiary of the Company with 65% effective interest upon Completion. The Company has consulted and its auditor has agreed with such accounting treatment.

Dongguan Hillview is principally engaged in the provision of recreational and tourism services through the ownership and management of Dongguan Hillview Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities in Dongguan, PRC. Dongguan Hillview also owns the land use right of approximately 1,000,039 sq.m. at Ying Bin Road, Dongcheng District, Dongguan, Guangdong Province, China, on which Dongguan Hillview Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities are located.

The Properties and other fixed assets, had an aggregate audited carrying value of approximately RMB322.6 million (equivalent to approximately HK\$409.8 million) as at 30 September 2013 which had an aggregate value of approximately RMB1,075.5 million net of deferred taxation (equivalent to approximately HK\$1,366.2 million). The aggregate carrying value of the Properties and other fixed assets as at 30 September 2013 was adjusted with reference to the estimated fair value increases in the property, plant and equipment and intangible assets of approximately RMB77.6 million and RMB926.3 million respectively, and estimated deferred tax liabilities of approximately RMB251.0 million set out in note c to Appendix III to the Circular, which is based on preliminary valuation of RMB1,310.0 million performed by Vigers as at 30 September 2013 conducted on a combination of the market and depreciated replacement cost approach and updated to 31 December 2013 as set out in Appendix V to the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The key specifications of Dongguan Hillview Golf Club and the Sofitel Dongguan Golf Resort Hotel are as follows:

Dongguan Hillview Golf Club

Date of commencement of operation:	May 2002
Golf courses:	Two separate 18-hole golf courses
Gross floor area:	Approximately 18,273 sq.m.
Covered floor area:	Approximately 10,128 sq.m.
Facilities:	An exercise course, a specialty shop, two restaurants, a multi-function hall, a British bar, a cigar room, two change-rooms, and an exhibition hall
Relevant licenses obtained:	Business license, certificate of approval for establishment of enterprises with foreign investment in the PRC, certificate of hygiene* (衛生許可證), financial registration for enterprises with foreign investment

Sofitel Dongguan Golf Resort Hotel

Date of commencement of operation:	May 2002
No. of guestrooms and suites:	133 spacious rooms and luxury suites
Gross floor area:	Approximately 23,302 sq.m.
Covered floor area:	Approximately 9,808 sq.m.
Facilities:	a Chinese restaurant and a buffet restaurant, a gym, 4 meeting rooms and an outdoor swimming pool
Relevant licenses obtained:	Business license, certificate of approval for establishment of enterprises with foreign investment in the PRC, certificate of hygiene* (衛生許可證), financial registration for enterprises with foreign investment, special trade license* (特種行業許可證)

In addition to the relevant licenses, permits and certificates listed above, Dongguan Hillview has also obtained the following: Food and beverage permit* (衛生許可證), PRC customs registration certificate* (中華人民共和國海關進出口貨物收發貨人報關註冊登記證書) and the approval for the set up of the Target Company in Dongguan by the Dongguan provincial government* (關於粵港臺合資經營東莞正大高爾夫球有限公司可行性研究報告的批復).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the due diligence exercise conducted by the PRC Legal Adviser, Dongguan Hillview currently owns Sofitel Dongguan Golf Resort Hotel (previously known as Hillview Hotel 逸峰閣酒店), which has since September 2005 been managed by companies under Accor S.A. (“Accor”), a French hotel group which owns the brand “Sofitel”, through the Management Contract (as defined below).

According to a management contract dated 18 May 2004 (as supplemented by several supplemental agreements)(the “Principal Contract”) entered into by, among others, Dongguan Royal Lagoon Hotel (“Royal Lagoon Hotel”) and AAPC Hong Kong Limited (“AAPC Hong Kong”), a subsidiary of Accor and which has been authorised by Accor to use or sublicense the brand “Sofitel” in China, Royal Lagoon Hotel shall be managed by AAPC Hong Kong since May 2004 and renamed as “Sofitel Dongguan Royal Lagoon Hotel 東莞索菲特御景灣酒店” and shall be managed in accordance with “Sofitel” brand and standards. In September 2005, Royal Lagoon Hotel and AAPC Hong Kong entered into an addendum to the Principal Contract (the “Addendum”), pursuant to which, among others, (i) Hillview Hotel 逸峰閣酒店 (the former name of Sofitel Dongguan Golf Resort Hotel) shall be managed by AAPC Hong Kong under the same conditions as in the Principal Contract in accordance with “Sofitel” brand and standards; and (ii) Dongguan Hillview shall pay management fee and incentive management fee of Hillview Hotel 逸峰閣酒店 to AAPC Hong Kong. In October 2005, by a letter from AAPC Hong Kong to and acknowledged and agreed by Royal Lagoon Hotel (the “Letter”), due to the reorganisation of AAPC Hong Kong, AAPC Shanghai Co., Ltd. (“AAPC Shanghai”), a subsidiary of AAPC Hong Kong and which has been sublicensed by AAPC Hong Kong to use the brand “Sofitel” in China, has been assigned all the rights and obligations of AAPC Hong Kong under the Principal Contract and the Addendum (the Principal Contract, the Addendum and the Letter as supplemented by addenda or supplemental agreements from time to time are hereinafter referred to as the “Management Contract”). On 25 December 2013, Dongguan Hillview issued a ratification letter to AAPC Shanghai and Royal Lagoon Hotel, pursuant to which Dongguan Hillview ratified, confirmed and agreed to be bound by the Management Contract in relation to the management of Sofitel Dongguan Golf Resort Hotel until the expiry of the term of the Management Contract, i.e. 31 December 2014. After which, Dongguan Hillview shall sign management contract directly with AAPC Shanghai in respect of the management of Sofitel Dongguan Golf Resort Hotel.

Based on the above, the PRC Legal Adviser confirmed that Sofitel Dongguan Golf Resort Hotel is authorised to operate under the brand “Sofitel”.

Businesses

Dongguan Hillview derived majority of its revenue for the three years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013 through operation of Dongguan Hillview Golf Club, which include club membership subscription fees, revenue from golf equipment and gifts shops, and green and other services fees. The revenue of Dongguan Hillview from Sofitel Dongguan Golf Resort Hotel mainly includes accommodation income, food and beverages sales and revenue from gift shops, etc. Dongguan Hillview aimed to promote its operating hotel through the cooperation with the international brand Sofitel and the continuous promotion and development of the reputation of Dongguan Hillview Golf Club.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dongguan Hillview has cooperated with online travel agencies, golf associations and organisation in PRC to promote the brands and reputation of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel. In addition, Dongguan Hillview has mainly sourced its supplies for Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel from local market place and farms to ensure quality of food ingredients. Dongguan Hillview sourced its golf equipment and products in gift and souvenir shops from corporations in Dongguan, China to reduce the transportation costs. Dongguan Hillview has alternative suppliers so that it would not rely solely on any one particular supplier. As at the Latest Practicable Date, all the suppliers of Dongguan Hillview are third parties independent from the Company. Dongguan Hillview targeted its customers to celebrities, socialites or senior management of corporations which has strong purchasing power. Dongguan Hillview did not identify any major customers which account for more than 5% of the revenue of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel for each of the three years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013.

Marketing Strategies

Since its commencement of operations in May 2002, Dongguan Hillview has focused to develop its reputation as a premium golf resort and hotel. The marketing strategies of Dongguan Hillview includes but not limited to the followings,

- *Emphasis on word of mouths and promotional activities among target customers*

Dongguan Hillview has focused on both promotional activities and liaison with target customers in order to foster brand image and reputation of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel among customers with strong purchasing power to maintain and expand its client base. The management of Dongguan Hillview believes that the word of mouths of the affluent individuals which may or may not be existing golf club members are effective to attract its target customers. The management of Dongguan Hillview and its sales department will continuous monitor the market trend in order to tailor-made suitable promotional activities.

- *Organise regular golf related events and competitions*

Dongguan Hillview regularly cooperated with property developers, major automobiles corporations and financial institutions to organise golf related events and competitions to attract celebrities, socialites or audience with strong purchasing power.

- *Increase auxiliary services value of club membership*

Dongguan Hillview occasionally offers complimentary services to golf club holders, such as discount or promotional gifts for sales of golf equipment, priority ordering of products, hospitality services in Sofitel Dongguan Golf Resort Hotel etc.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Business Strategies

The primary objectives of the Dongguan Hillview are to strengthen its position in the golf industry in the PRC and further expand its business operations. Dongguan Hillview will endeavour to achieve the above-mentioned business objectives through the following plans. The below plans are subject to many uncertainties and unpredictable factors and as such, there is no assurance that the Dongguan Hillview's business plans will materialise.

The Company intends to continue with the existing business plans of Dongguan Hillview in connection with the business of Dongguan Hillview as set out below and does not intend to introduce major changes to Dongguan Hillview's businesses other than in the ordinary course of the business of Dongguan Hillview upon the Completion. In addition, the Company will from time to time review strategic options with regard to the businesses of Dongguan Hillview. Further details of the financial and trading prospect of the Group are disclosed in the paragraph headed "Financial and Trading Prospect of the Group" set out in Appendix I to the Circular.

- *Expansion in the range of services offering*

Dongguan Hillview intends to increase its source of income by expanding its range of services offering, such as, ordering of golf equipment, golf related training courses, golf events and competitions, flight ticketing and transportations, etc. with cooperation with other service agencies. The management of Dongguan Hillview believes that the development of diversified services can assist the sales department of Dongguan Hillview to reach out to its potential customers and offer tailor-made services to its prestigious customers and thus increasing its revenue.

- *Enhance existing facilities of golf course*

The management of Dongguan Hillview believes that, in addition to the quality of golf courses, the auxiliary facilities and decoration in the golf club and hotel are also important to the customers' experience. In order to stay competitive in the market, Dongguan Hillview will continue to enhance its existing leasehold improvement in its golf club and hotel with an aim to provide its customers with a comfortable environment. The management of Dongguan Hillview considers such enhancement can benefit Dongguan Hillview on its branding, which eventually may result in higher club membership subscription fees and revenue from hotel accommodations, consumptions and facilities rental.

- *Strengthen staff training*

Dongguan Hillview is committed to enhance the knowledge and qualification of its employees. Dongguan Hillview will provide the senior management of Dongguan Hillview with opportunities to attend management seminars or courses in the PRC with an aim to strengthen the management skills and the human resources management of the Group.

In addition, Dongguan Hillview has provided and shall continue to provide on-the-job training to its employees based on their job duties which includes, among others, customer services, safety and quality control in different aspects of the operations of golf club and hotel to ensure that the operations of Dongguan Hillview are safe and to improve their practical business skills of employees of Dongguan Hillview.

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Management

The Company expects to appoint four representatives, including Mr. Li Tongshuang, executive Director and managing director of the Company to the board of directors of Dongguan Hillview upon Completion in order to oversee its businesses. Upon Completion, the composition of the board of directors of Dongguan Hillview is expected to comprise of five directors, four of which are expected to be nominated and appointed by the Company.

Scale of operations and financial information

The scale of operations of Dongguan Hillview Golf Club and Sofitel Dongguan Golf Resort Hotel as represented by revenue from the operation of golf club and provision of hotel and leisure services for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013 as extracted from Appendix IIB to the Circular are as follows:

	Year ended	Nine months ended	
	31 December	30 September	
	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operations of golf club	99,333	94,126	81,870
Hotel and leisure services	29,641	29,749	21,285
Total	128,974	123,875	103,155

The audited financial results of the Target Company for the two financial years ended 31 December 2011 and 2012 and for the nine months ended 30 September 2013 as extracted from Appendix IIA to the Circular are as follows:

	Year ended	Nine months	
	31 December	ended	
	2011	2012	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	(2)	(6)	(4)
Loss after tax	(2)	(6)	(4)

As set out in the Appendix IIA to the Circular, the auditor of the Company has given a disclaimer of opinion on the financial statements of the Target Company for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013. The Target Company has not measured the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of the Target Company's share of the net fair value of Dongguan Hillview's identifiable assets and liabilities and the deemed cost of investment in Dongguan Hillview. In addition, the Target Company's investment in a joint venture has carried at deemed cost less

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any impairment as at 31 December 2011 and 2012 and 30 September 2013. This is not in accordance with HKAS 28 (2011) “Investment in Associate and Joint Ventures”, which requires the Target Company to account for its interest in a joint venture using the equity method. In addition, the Target Company has not disclosed certain financial information of the Target Company’s investment in a joint venture as at 31 December 2011 and 2012 and 30 September 2013 and for each of the two years ended 31 December 2011 and 2012 and the nine months ended 30 September 2012 and 2013, as required by HKFRS 12 “Disclosure of Interests in Other Entities” which represents adjustments made by the Target Company to the financial statements when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies. In addition, the Target Company is required to provide a reconciliation of the summarized financial information presented to the carrying amount of its investment in the joint venture, details of which are set out in the Appendix IIA to the Circular.

The Target Company acquired 65% of the registered capital of Dongguan Hillview on 26 June 2011 (the “Acquisition Date”). At the Acquisition Date, the Target Company did not measure the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of the Target Company’s share of the net fair value of Dongguan Hillview’s identified assets and liabilities and the deemed cost of investment in Dongguan Hillview in accordance with the relevant accounting standards. In the absence of an appropriate valuation exercise performed at the Acquisition Date, the Target Company is unable to account for its investment in joint venture using the equity method in accordance with HKAS 28 (2011) which requires fair value adjustments to its identified assets and liabilities at the Acquisition Date. The investment cost of 65% equity interest in Dongguan Hillview recognised by the Target Company was determined based on the original investment cost of Dongguan Hillview held by Chia Tai Golf Development Company Limited, the former shareholder of Dongguan Hillview. Any fair value adjustments necessary to be made to the identified assets and liabilities at the Acquisition Date cannot be reflected in the investment in joint venture even the Target Company accounts for its investment in joint venture using the equity method in accordance with HKAS 28 (2011). The directors of the Target Company are of the opinion that it would involve expenses and delay out of proportion to the value to the members of the Target Company. As at the Latest Practicable Date, Dongguan Hillview is a joint venture of the Target Company. On Completion, the relevant memorandum and articles of association of Dongguan Hillview, such that the Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS.

Considering that (i) the disclaimer of opinion on the financial statements of the Target Company is due to the failure to follow HKAS 28 (2011) and HKFRS 12 which will not exist upon Dongguan Hillview becoming a subsidiary of the Target Company; (ii) it is one of Conditions Precedent that the relevant memorandum and articles of association of Dongguan Hillview will be amended such that Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS on Completion; and (iii) the auditor of the Company has given unqualified opinion on the financial statements of Dongguan Hillview for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013, we concur with the Directors that the disclaimer of opinion on the financial statements of the Target Company as explained above will have no material impact on the consolidated financial statements of the Group upon Completion.

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Accordingly, despite the auditor of the Company giving a disclaimer of opinion on the financial statements of the Target Company for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013 as set out in Appendix IIA to the Circular, Dongguan Hillview will become a subsidiary of the Target Company under the HKFRS on Completion and the auditor of the Company has given unqualified opinion on the financial statements of Dongguan Hillview for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013 as explained above. In view of the foregoing, we concur with the view of the Directors that the accountants' reports disclosed in Appendix IIA and Appendix IIB to the Circular in their existing forms would provide the Shareholders an accurate and complete picture of the Target Group's businesses for the years ended 31 December 2011, 2012 and nine months ended 30 September 2013.

As Dongguan Hillview will become a subsidiary of the Target Company and will become an indirect subsidiary of the Company upon Completion, please find below the audited financial results of Dongguan Hillview for the two financial years ended 31 December 2011 and 2012 and for the nine months ended 30 September 2012 and 2013 as extracted from Appendix IIB to the Circular as follows:

	Year ended 31 December		Nine months ended	
			30 September	
	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	128,974	123,875	88,997	103,155
Profit before tax	11,797	14,848	6,522	19,687
Profit after tax	8,681	11,723	5,451	15,196

As disclosed in Appendix IIB "Accountants' Report on Dongguan Hillview" to the Circular, the increase in the net profit after tax for the year ended 31 December 2012 of approximately RMB11.72 million from approximately RMB8.68 million for the year ended 31 December 2011 is mainly due to the increase in interest income. For the nine months ended 30 September 2013, net profit after tax increased significantly to approximately RMB15.20 million from approximately RMB5.45 million of the prior respective period. As disclosed in Appendix IIB "Accountants' Report on Dongguan Hillview" to the Circular, such increase was mainly due to the growth in revenue from the operations of golf club.

The audited net assets of Dongguan Hillview as at 30 September 2013 of approximately RMB231.5 million as extracted from Appendix IIB to the Circular were adjusted to approximately RMB984.4 million (equivalent to approximately HK\$1,250.5 million) with reference to the estimated fair value increases in the property, plant and equipment and intangible assets of approximately RMB77.6 million and RMB926.3 million respectively, and estimated deferred tax liabilities of approximately RMB251.0 million set out in note c to Appendix III to the Circular, which is based on preliminary valuation of RMB1,310.0 million performed by Vigers as at 30 September 2013 conducted on a combination of the market and depreciated replacement cost approach and updated to 31 December 2013 as set out in Appendix V to the Circular. Accordingly, the proportionate share of the net assets of Dongguan Hillview by the Target Company as at 30 September 2013 was approximately RMB639.9 million (equivalent to approximately HK\$812.9 million), taking into account the preliminary valuation of the Properties performed by Vigers as at 31 December 2013.

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3. Reasons for, and benefits of the Proposed Acquisition

The Group is principally engaged in the development and provision of system integration solutions, system design and sale of system hardware. As disclosed in the Company's 2011 and 2012 annual reports, the Company has been advised by the Southern Media Corporation, a state-owned enterprise in PRC, regarding the reorganisation of the cable digital broadcasting networks of Guangdong Province into one centralised network under one provincial broadcasting network company (the "Reform") which is led by the Steering Group on the Reform of Guangdong Cultural Structure (廣東省文化體制改革工作領導小組). Upon the completion of the Reform, the cable digital broadcasting networks of Guangdong Province will be ultimately owned and operated by Guangdong Broadcasting Network Co., Ltd. (廣東省廣播網絡有限公司), a state-owned enterprise in PRC. As a result, the Group will no longer be able to operate the digital television technical solution and equivalent business and is required to exit from the existing business.

Pursuant to the challenges in the existing businesses of the Group set out above and the interim report of the Group for the six months ended 30 June 2013, the Group is actively exploring new business opportunities for investment and development so as to bring better return to Shareholders in the future. The Board recognises the rapid development of the tourism industry in PRC in recent years, supported by the 12th Five-Year Plan of PRC encouraging and promoting the development of the tourism industry. In addition, according to the "Guidelines of the Plan for the Promotion of Tourism Industry Development" issued by the State Council, the tourism industry is one of the strategic pillar industries in (i) the development of the economy in PRC; and (ii) the improvement of the social well-being of Chinese citizens and therefore deserves increased dedication of resources, particularly to expand the industry in urban areas such as Dongguan. Given the substantial improvement in infrastructural and transportation networks around China as well as the increased dedication to improve urban planning and personnel training, annual revenue of the tourism industry in PRC is projected to grow by approximately 10% from 2011 to 2015, demonstrating PRC's strong commitment to the industry's development. By 2015, the tourism industry is expected to contribute approximately 4.5% to the national GDP, and tourism spending is expected to reach approximately 10% of total household consumption.

Dongguan Hillview is principally engaged in the provision of recreational and tourism services through the ownership and management of Dongguan Hillview Golf Club, Sofitel Dongguan Golf Resort Hotel and other recreational facilities in Dongguan, PRC, and is an attractive acquisition targets for the Group as it focuses on the high-net-worth individuals in PRC who are able to afford leisure and recreational travelling.

The Board considers that the Proposed Acquisition will benefit the Group from the prime real estate, tourism, and leisure opportunities provided by the Target Company's ownership of Dongguan Hillview and will strengthen the revenue stream of the Group without an immediate cashflow requirement to settle the Consideration.

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Mr. Li Tongshuang, an executive Director and managing director of the Company, has extensive management knowledge and working experience in hotel operation and property development. The management of Dongguan Hillview has an average of more than 10 years experience in the operations and management of golf club and hotel. The Directors intend to leverage on the vast experiences of Mr. Li Tongshuang and expect to retain experienced management of Dongguan Hillview to manage the business of the Target Company. Having considered the above, we consider that the Company has adequate management expertise to manage the new business.

According to the official website of Dongguan Hillview Golf Club (www.hillviewgolf.com), Dongguan Hillview Golf Club is located near the Dongguan city centre and is proximate to the major highway, port and airport in Guangdong Province. Since its commencement of operation in 2002, it has received several awards including but not limited to “中國百佳球場” (China 100 Greatest Golf Course) issued by Golf Digest, an international golf magazine.

In assessing the economic development and the prospects of the tourism industry of Dongguan City, we have conducted research on such industry in the public domain and our findings are as followings:

According to the 東莞市國民經濟和社會發展第十二個五年規劃綱要 (the Economic and Social Development Twelfth-five Year Plan of Dongguan City*, the “Twelfth-five Year Plan of Dongguan”) issued by the Dongguan Municipal Government in April 2011, the GDP of Dongguan City reached approximately RMB424.6 billion (equivalent to approximately HK\$541.9 billion) in 2010, representing a compound annual growth rate (“CAGR”) of approximately 13.3% during the period from 2005 to 2010. Referring to the 2012東莞市國民經濟和社會發展統計公報 (the Report on Economic and Social Development of Dongguan City 2012*, the “Report on Dongguan 2012”) issued by the Dongguan City Statistics Bureau in April 2013, the GDP of Dongguan City in 2012 increased to approximately RMB501.0 billion (equivalent to approximately HK\$636.4 billion), representing a growth of approximately 18.0% over the figures in 2010. With reference to the 2013年東莞經濟運行情況 (the Economic Development of Dongguan City 2013*) issued by the Dongguan City Statistics Bureau in February 2014, the GDP of Dongguan City was approximately RMB550.0 billion (equivalent to approximately HK\$698.6 billion) for the year ended 31 December 2013, representing a growth of approximately 9.8% over that of the previous year. It is noted from the Twelfth-five Year Plan of Dongguan that the Dongguan City government targets to increase the GDP of Dongguan City to over RMB625.0 billion (equivalent to approximately HK\$793.9 million) in 2015, representing a CAGR of approximately 8% against the amounts in 2010. Having considered the expected economic growth of Dongguan City as well as the expected increase in purchasing power of the citizens of Dongguan City, we are of the view that the outlook of the economy of Dongguan City is positive. With reference to the Statistic Yearbook 2012 of Dongguan City, the number of travellers in Dongguan (in terms of times of visits) increased from approximately 13.6 million visits in 2006 to approximately 26.2 million visits in 2011, representing a CAGR of approximately 14%. Income from international travellers increased from approximately US\$332 million (equivalent to approximately HK\$2,573.0 million) in 2006 to approximately US\$910 million (equivalent to approximately HK\$7,052.5 million) in 2011, representing a CAGR of approximately 22%. In view of the above, we consider that tourism industry of Dongguan City has been on an upward trend.

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As advised by the management of the Company, Dongguan Hillview is negotiating with the Dongguan government to grant the permission for developing an area of approximately 200 mu at the Dongguan Hillview Golf Club as residential property project. As at the Latest Practicable Date, no agreement has been reached between the parties. Shareholders should note that discussions of Dongguan Hillview with the Dongguan government regarding the possible permission to develop the area are only in a preliminary and premature stage which may or may not materialise. Despite such discussions are only in a preliminary and premature stage which may or may not materialise, taking into the upward trend of the economy of Dongguan City and the estimated growth of the economy of Dongguan City as discussed above, we are of the view that the outlook of the property market of Dongguan City is expected to be positive in the long run and the Proposed Acquisition could allow the Group to capture the returns from the potential property project which is in the interests of the Company and the Shareholders as a whole.

Having considered that (i) the profitable track record of Dongguan Hillview, in particular that Dongguan Hillview recorded a substantial growth for the nine months ended 30 September 2013, as set out in the section headed “2. Information on the Target Company” above; (ii) the Proposed Acquisition is in line with the Group’s strategy to explore investment opportunities which would bring return to the Shareholders; (iii) the favourable location of Dongguan Hillview Golf Club; (iv) the positive outlook of the economy of Dongguan and the tourism industry of Dongguan is expected to support the development of the business of the Dongguan Hillview; (v) the Proposed Acquisition could allow the Group to capture the returns from the potential property project; and (vi) the experience of Mr. Li Tongshuang and the management team of Dongguan Hillview in the hotel operation and property development, we are of the view that the Proposed Acquisition is conducted in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the SPA

The Consideration of the Proposed Acquisition is RMB585.0 million (equivalent to approximately HK\$743.1 million) which was determined with reference to, among others, the unaudited net asset value of the Target Company, adjusted with the preliminary valuation of the Properties as at 31 December 2013.

The Valuation

Based on the Valuation Report, the valuation (the “Valuation”) of the Properties was RMB1,310 million. The audited net assets of Dongguan Hillview as at 30 September 2013 of approximately RMB231.5 million as extracted from Appendix IIB to the Circular were adjusted to approximately RMB984.4 million (equivalent to approximately HK\$1,250.5 million) (the “Revaluated Net Asset Value”) with reference to the estimated fair value increases in the property, plant and equipment and intangible assets of approximately RMB77.6 million and RMB926.3 million respectively, and estimated deferred tax liabilities of approximately RMB251.0 million set out in note c to Appendix III to the Circular, which is based on preliminary valuation of RMB1,310.0 million performed by Vigers as at 30 September 2013 conducted on a combination of the market and depreciated replacement cost approach and updated to 31 December 2013 as set out in Appendix V to the Circular. Accordingly, the proportionate share of the Revaluated Net Asset Value of Dongguan Hillview by the Target Company as at 30 September 2013 was approximately

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RMB639.9 million (equivalent to approximately HK\$812.9 million), calculated based on the equity interest in Dongguan Hillview of 65% by the Target Company and the Revaluated Net Asset Value. The Consideration represents a discount of approximately 8.6% to the proportionate share of the Revaluated Net Asset Value attributable to the Target Company as at 30 September 2013. Since the Revaluated Net Asset Value reflects the fair market value of Dongguan Hillview, we considered that it is an appropriate basis to assess the fairness and reasonableness of the Consideration.

For our due diligence purpose, we reviewed and enquired Vigers's qualification and experience in relation to the performance of the Valuation. We noted that Vigers has a handful of experience in performing valuation for transactions of listed companies as well as the initial public offering cases in Hong Kong and the PRC. Vigers confirmed that it is an independent third party to the Company. Vigers also confirmed that all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to Dongguan Hillview provided or made by the Company to Vigers not having been included in the Valuation. In addition, we also reviewed the terms of Vigers's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

To determine the appraised value of the Properties, we were given to understand that, of the three commonly adopted valuation approaches considered, namely market approach, income approach and cost approach, Vigers adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the Properties and the buildings and structures standing on the lands respectively. In the valuation of the land portion, reference has been made to the standard land price in Dongguan. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The market approach, which estimates market value from analysing sales and purchases of comparable businesses, is not considered appropriate, given the insufficient number of comparable transactions of a similar nature in the PRC, due to the early development stage of the golf course industry in the PRC, to derive a meaningful benchmark. The income approach, which focuses on the income-producing capability of the acquired business, is not considered appropriate, given that no relatively reliable financial projection can be made in light of the prevailing global and domestic macroeconomic and financial conditions. Under the replacement cost method of the cost approach, the value of the buildings and structures on standing on the lands is indicated by the costs required to replace them in an open market, and is considered the preferred approach over the market approach and the income approach, having taken into account the respective downsides of such approaches. Vigers further confirmed that the valuation method they have adopted for the Valuation is commonly adopted for companies of similar type in the PRC, consistent with normal market practice. The Valuation has been carried out in accordance with "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors and the RICS Valuation – Professional Standards 2012 (8th Edition) published by the

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Royal Institution of Chartered Surveyors. Having considered the above, we are of the view that the principal basis, valuation methods and assumptions adopted for the Valuation are fair, reasonable and complete and hence the reliability of the Valuation Report.

It is noted that the Revaluated Net Asset Value represents a premium of approximately 325.2% over the audited net asset value of Dongguan Hillview as at 30 September 2013. Such premium was attributable to the increase in the appraised value of the Properties. As advised by Vigers, the Valuation was computed with reference to the standard land price set out in 關於2009年東莞市基準地價成果的公告 (the Standard Land Price Announcement*) issued by Municipal Bureau Land Resources of Dongguan City in December 2009. We have reviewed the Standard Land Price Announcement and noted that the appraisal of land price in Dongguan City was conducted in accordance with the relevant PRC laws including 中華人民共和國土地管理法 (the Land Administration Law of the PRC*), 中華人民共和國城市房地產管理法 (the Urban Real Estate Administration Law of the PRC*) and 廣東省地價管理規定 (the Land Price Regulation of the Guangdong Province*) to reinforce land management and establish an open, fair and just land market in Dongguan City, and that it is the latest standard land price results released by Dongguan government. It is also noted that the results of the standard land price set out in the Standard Land Price Announcement cover the area and the type of land where the Properties are located. In view of the above, we considered that the standard land price set out in the Standard Land Price Announcement is a fair and reasonable reference to assess the market value of the Properties. Despite the significant premium of the Revaluated Net Asset Value over the audited net asset value of Dongguan Hillview as at 30 September 2013, having considered the above, we are of the view that the standard land price set out in the Standard Land Price Announcement are fair and reasonable references for determining the market value of the Properties, and therefore the valuation of the Properties reflects the current market value of such assets.

Having considered that the Consideration represents a discount of approximately 8.6% to the proportionate share of the revaluated net assets of Dongguan Hillview by the Target Company as at 30 September 2013, we are of the view that the terms of the consideration for the Proposed Acquisition are normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Payment of the Consideration

Subject to the satisfaction or waiver of all the Conditions Precedent, the Purchaser will pay the Consideration to the Vendor by the issuance of Promissory Note. The settlement of the Promissory Note is expected to be funded by the internal resources of the Group and through the recoverable of receivables of the Company. The Company is entitled to settle part of the Consideration amounting up to HK\$130 million by assignment of receivable of the Company on or before the maturity of the Promissory Note and thereafter, the outstanding principal amount of the Promissory Note shall be reduced accordingly. Based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013, the unaudited trade and bills receivables of the Group as at 30 June 2013 amounted to approximately HK\$73.1 million. The SPA does not prescribe and as at the Latest Practicable Date, the Company has not prescribed for specific receivables which would be used to settle part of the Consideration. Shall the Company

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make any payment under the Promissory Note, the Board will consider the then cash flow and capital sufficiency of the Company to decide if they will, subject to receiving the acknowledgement of assignment of receivables by relevant debtors, assign any receivables of the Company to settle part of the outstanding principal amount of the Promissory Note.

Principal terms and conditions of the Promissory Note

Issuer:	the Company
Principal amount:	HK\$743.1 million
Maturity date:	the 3rd anniversary of the issue date
Interest:	the Promissory Note does not bear any interest
Early repayment:	the Company has the right at any time and from time to time on giving not less than 14 calendars' day prepayment notice to prepay the entire outstanding principal amount or any part thereof in multiples of HK\$1,000,000 prior to the maturity date of the Promissory Note. The holder of the Promissory Note may waive or consent to a shorter period of prepayment notice.

We have discussed with the management of the Company in respect of other possible financing alternatives for the Proposed Acquisition, such as debt financing, rights issue or open offer. Regarding pre-emptive issues such as rights issue and open offer, the Board considered that they would incur underwriting commission and generally high documentation preparation costs and professional fees and commonly take more than two months for completion, and hence did not consider pre-emptive issues to be desirable alternatives to the issue of the Promissory Note. For debt financing, bank borrowings and issuance of bonds will inevitably increase the financing cost of the Group. Based on the above, together with the fact that (i) the settlement of the Consideration in full by the issuance of the Promissory Note allows the Company to acquire the Target Company without incurring any immediate cash outlay (other than payment of related expenses); (ii) the Group could settle the interest-free Promissory Note three years after the issuance date or such other earlier time as it may determine; and (iii) the Company is entitled to settle part of the Consideration amounting up to HK\$130 million by assignment of receivables of the Company on or before the maturity of the Promissory Note which in our view could save the Company's resources to collect such receivables and shift the default risk of such receivables to the Vendor and is in the interests of the Company and the Shareholders as a whole, we concur with the view of the management of the Company that financing the Proposed Acquisition by way of issue of the Promissory Note is appropriate and beneficial to the Company.

Having considered the above, we are of the view that the terms of the Proposed Acquisition are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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5. Provision of financial assistance

Loan Advances

Pursuant to a loan agreement entered into between Dongguan Hillview as lender and HNA Huanan as borrower on 30 September 2011, Dongguan Hillview agreed to lend to HNA Huanan an amount up to RMB400 million (equivalent to approximately HK\$508.1 million) with an interest rate of 9% per annum payable on a monthly basis for the business operation of HNA Huanan. In addition, Dongguan Hillview as lender has also advanced HNA Huanan an amount of approximately RMB35.7 million (equivalent to approximately HK\$45.4 million) which is non-interest bearing for the business operation of HNA Huanan. As at 30 September 2013, the aggregated outstanding Loan Advances amounted to approximately RMB480.7 million (equivalent to approximately HK\$610.6 million), whereas the principal amount of interest-bearing loan advances is RMB380.0 million (equivalent to approximately HK\$482.7 million). The repayment date of the interest-bearing Loan Advances shall be on or before 30 September 2017. The Target Company and Dongguan Hillview also maintained balances with other fellow subsidiaries of HNA Hong Kong from the ordinary course of business which will be settled prior to Completion.

Pursuant to the SPA, the Vendor covenanted to the Company and the Purchaser that, until the full settlement of the Loan Advances has been made, it shall procure the repayment of HK\$100 million under the Loan Advances by HNA Huanan to Dongguan Hillview within one month after each time the Company having settled its payment in an aggregate amount of HK\$100 million under the Promissory Note. Notwithstanding that the interest-bearing Loan Advances and the Promissory Note have stipulated its respective repayment/maturity dates, the reason for such arrangement is to allow the Company to expedite the time for obtaining and secure repayment from the interest-bearing Loan Advances pursuant to the settlement of the Promissory Note.

Guarantee Agreement

Pursuant to the Guarantee Agreement, Dongguan Hillview as guarantor has entered into the Guarantee Agreement with a financial institution dated 6 March 2013, whereas Dongguan Hillview agreed to provide a corporate guarantee to a fellow subsidiary of HNA Hong Kong for its bank borrowing of up to RMB5.0 million (equivalent to approximately HK\$6.4 million) for the period from 6 March 2013 to 6 March 2014. As at 30 September 2013, the outstanding bank borrowing of the fellow subsidiary amounts to RMB5.0 million (equivalent to approximately HK\$6.4 million).

Corporate guarantee on Loan Advances and Guarantee Agreement

Pursuant to the SPA, the Vendor shall procure that a corporate guarantee will be given by HNA Hong Kong upon Completion in favour of the Company, the Purchaser and Dongguan Hillview for the due performance of all the obligations of HNA Huanan owed to Dongguan Hillview in relation to the Loan Advances and the fellow subsidiary of HNA Hong Kong in relation to the Guarantee Agreement.

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Corporate guarantee on bank borrowings of Dongguan Hillview

Pursuant to loan and guarantee agreements of Dongguan Hillview dated 22 September 2011, the holding company and a fellow subsidiary of HNA Hong Kong has provided a corporate guarantee for Dongguan Hillview in respect of bank borrowings of Dongguan Hillview of up to RMB400 million (equivalent to approximately HK\$508.1 million) for the period from 22 September 2011 to 21 September 2019. As at 30 September 2013, the outstanding bank borrowings of Dongguan Hillview amounted to RMB399.5 million (equivalent to approximately HK\$507.5 million).

Despite certain amount of the Loan Advances being non-interest bearing, having considered that (i) the interest rate of the interest bearing Loan Advances of 9% per annum is slightly higher than the current interest rate of the bank borrowings borne by Dongguan Hillview of 7.86% per annum; (ii) the holding company and a fellow subsidiary of HNA Hong Kong had provided a corporate guarantee to Dongguan Hillview in respect of bank borrowings of Dongguan Hillview of up to RMB400 million for the period from 22 September 2011 to 21 September 2019; (iii) the Loan Advances will be settled by HNA Huanan to Dongguan Hillview of HK\$100 million within one month after each time the Company having settled its payment in an aggregated amount of HK\$100 million under the Promissory Note and the Vendor shall procure that a corporate guarantee will be given by HNA Hong Kong upon Completion in favour of the Company, the Purchaser and Dongguan Hillview for the due performance of all the obligations of HNA Huanan owed to Dongguan Hillview in relation to the Loan Advances and the due performance of all obligations by the fellow subsidiary of HNA Hong Kong in relation to its bank borrowing covered by the Guarantee Agreement; and (iv) the Promissory Note is interest-free which allows the Group to capture the growth potential of the golf course business of Dongguan Hillview without immediate cash outlay and interest burden, we are of the view that there are sufficient measures to protect the interest of the Company and the Independent Shareholders in respect of the Loan Advances and the corporate guarantee under the Guarantee Agreement and the provision of financial assistance by way of the Loan Advances and the corporate guarantee under the Guarantee Agreement, being part and parcel of the SPA, is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

6. Financial impacts of the Proposed Acquisition

(i) Net assets value

According to the Interim Report 2013, the net assets of the Group were approximately HK\$1,017.2 million as at 30 June 2013. Based on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to the Circular, assuming the Proposed Acquisition had taken place on 30 June 2013, the net assets of the Enlarged Group would have increased to approximately HK\$1,673.7 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Liquidity

According to the Interim Report 2013, the bank balances and cash of the Group as at 30 June 2013 were approximately HK\$26.7 million. Given the Proposed Acquisition will not involve any immediate cash outlay of the Group (save for the payment of related expenses), such settlement method would enable the Group to conserve more financial resources for its future development.

(iii) Financial leverage

Based on the interim report of the Group for the six months ended 30 June 2013, the financial leverage ratio (defined as net debt over total capital of the Company) was approximately 22.8%. According to the unaudited pro forma consolidated statement of financial information of the Enlarged Group as if the Proposed Acquisition had been completed on 30 June 2013 as set out in Appendix III to the Circular, the net debt of the Enlarged Group would be approximately HK\$1,393.9 million (which include convertible loan notes of approximately HK\$236.3 million, promissory note of approximately HK\$582.8 million, borrowings of approximately HK\$724.9 million, cash and bank balance of approximately HK\$39.3 million, and pledged bank deposits of approximately HK\$110.8 million) and the total capital (equity and total debts) of the Enlarged Group would be approximately HK\$2,703.1 million, respectively, with the financial leverage ratio of approximately 51.6%.

RECOMMENDATIONS

Based on the abovementioned principal factors and reasons, we are of the view that the entering into the SPA, the Proposed Acquisition and the relevant transactions contemplated therein is in the ordinary and usual course of business of the Company and the terms of the SPA, the Proposed Acquisition and the relevant transactions contemplated therein are normal commercial terms and the entering into the SPA, the Proposed Acquisition and the relevant transactions contemplated therein are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the SPA, the Proposed Acquisition and the relevant transactions contemplated therein.

Yours faithfully,
For and on behalf of
Goldin Financial Limited

Billy Tang
Director

* *for identification purpose only*

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2010, 2011 and 2012 are disclosed in the Company's annual reports for each of the three years ended 31 December 2010, 2011 and 2012, and the published unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 are disclosed in the Company's interim report for the six months ended 30 June 2013, which can be accessed on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.shougang-tech.com.hk/>).

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 January 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group (including the Group, Target Company and Dongguan Hillview) had aggregate outstanding bank borrowings of approximately HK\$986.5 million comprising (i) unsecured and guaranteed bank borrowings of approximately HK\$371.7 million; and (ii) secured and guaranteed bank borrowings of approximately HK\$614.8 million. In addition, the Enlarged Group had liability component of outstanding convertible loan notes of approximately HK\$270.0million (with principal amount of approximately HK\$112.5 million and USD15million) and amounts due to related parties of Dongguan Hillview of approximately HK\$191,000 (equivalent to RMB151,000).

3. MORTGAGE AND CHARGES OF THE ENLARGED GROUP

As at 31 January 2014, the following assets of the Enlarged Group were pledged for the borrowings as follow:

	As at 31 January 2014
	<i>HK\$000</i>
Investment properties	49,360
Buildings	128,972
Prepaid lease payments	194,963
Pledged bank deposits	24,795
	<hr/>
	398,090
	<hr/> <hr/>

4. CAPITAL COMMITMENT

As at 31 January 2014, the Enlarged Group had outstanding capital commitments of approximately HK\$2.3 million (equivalent to approximately RMB1.8 million) for the purchase and construction of property, plant and equipment.

5. CONTINGENT LIABILITIES

As at 31 January 2014, the contingent liabilities of the Enlarged Group were as follow:

	As at 31 January 2014
	<i>HK\$000</i>
Guarantee given to banks, in respect of banking facilities to third parties and a related party	
– amount that could be required to be paid	132,708
– amount utilised	117,962
	<u> </u>

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

6. WORKING CAPITAL

The Directors are of the opinion that, taking into account of its existing cash and bank balances and other internal resources available and also the effect of the Proposed Acquisition, the Enlarged Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

7. FINANCIAL AND TRADING PROSPECT OF THE GROUP

To Shougang Concord Technology Holdings Limited, the year ahead will be a year of transformation at a steady pace. In face of slowing profitability in the current business, exploring for new businesses and new profit opportunities while maintaining a steady, healthy operation of the existing establishment will become the Group's core strategy. The Group intends to continue to enhance the business of provision of system integration solutions, system design and sale of system hardware through focusing on markets on intelligent systems, including intelligent traffic systems. The Group also intends to continuously expand the sales channels of system hardware. In addition, as explained in the paragraph headed "Reasons for and benefits of entering into the SPA" in the section headed "Letter from the Board" in this circular, the Group will no longer be able to operate the digital television technical solution and equivalent business and is required to exit from the existing business. As such, the Group intends to continue to look for purchasers for its digital television businesses and will negotiate with them about the terms. As at the Latest Practicable Date, no binding agreement has been entered into by the Company and further announcement will be made by the Company as and when applicable

Over the past year, China's economy has continued to grow. With the structural adjustment of economic development and the growth of national income, we witnessed the steady growth momentum in the area of real estates. With the introduction of a number of strict policies that tighten the approval of villas and golf courses projects, the existing golf real estates have become more valuable. The profit-making capabilities of the golf projects around the developed areas such as the Beijing, Shanghai and Guangdong economic zones have always been strong, thanks to the support of solid consumption power. With the successful acquisition of the Target Company and Dongguan Hillview, Shougang Concord Technology has taken a first step for the Group in the move toward real estates business. It is expected that this achievement will have positive impact on the Group's revenue as well as cash flow after the year 2014.

The primary objectives of the Dongguan Hillview are to strengthen its position in the golf industry in the PRC and further expand its business operations. Dongguan Hillview will endeavour to achieve the above-mentioned business objectives through its marketing and business strategies as explained in the paragraph headed “Information about the Target Company” in the section headed “Letter from the Board” in this circular. Such plans are subject to many uncertainties and unpredictable factors and as such, there is no assurance that the Dongguan Hillview’s business plans will materialise. The Company intends to continue with the existing business plans of Dongguan Hillview in connection with the business of Dongguan Hillview and does not intend to introduce major changes to Dongguan Hillview’s businesses other than in the ordinary course of the business of Dongguan Hillview upon the Completion. The Company will also consider engaging in the real estate businesses in the future through Dongguan Hillview if the Dongguan government permits Dongguan Hillview to develop the land as residential property. As at the Latest Practicable Date, no agreement has been entered into by Dongguan Hillview and as such, Dongguan Hillview currently does not have any concrete plans to engage in the real estate businesses. Further announcement will be made by the Company as and when applicable. In addition, the Company will from time to time review strategic options with regard to the businesses of Dongguan Hillview.

At the time when increased revenues are generated by real estates projects, the existing business operations will undergo integration of resources with competitive advantages, and the corporate structure will be optimized to reduce unnecessary burden. There will be strong cash flow for added support to our strength in technology development, which will then lead to introduction of new systems and products for the improvement of our competitiveness in the market.

Through capital management and business transformation, Shougang Concord Technology Holdings Limited will turn a new page and definitely bring higher returns to the shareholders in the coming year.

8. THE PROPERTIES

Vigers has valued the Properties as at 31 December 2013 at approximately RMB1,310,000,000, representing a net revaluation surplus by which the market values of the Properties exceeded their carrying value as at 31 December 2013. The letter, summary of values and the valuation certificates are set out in Appendix V to this circular.

The following table sets forth the reconciliation between the carrying value of the Properties as at 30 September 2013 and the valuation report as set forth in Appendix V to this circular as at 31 December 2013:

	<i>RMB'000</i>
Carrying value of the Properties as at 30 September 2013	306,156
Unaudited accumulated depreciation for the three months ended 31 December 2013	(7,077)
Unaudited carrying value of the Properties as at 31 December 2013	299,079
Revaluation surplus before income tax	1,010,921
Value of the Properties as at 31 December 2013	
as set forth in the valuation report in Appendix V	1,310,000

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

26 March 2014

The Directors
Shougang Concord Technology Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Hillview Golf Development Company Limited (“Hillview”) (formerly known as “Chia Tai Golf Development Company Limited”) for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 (the “Relevant Periods”) for inclusion in the circular issued by Shougang Concord Technology Holdings Limited (the “Company”) dated 26 March 2014 (the “Circular”) in connection with the proposed acquisition of the entire equity interests in Hillview (the “Acquisition”).

Hillview, which acts as an investment holding company, was incorporated in the British Virgin Islands (“BVI”) with limited liability on 30 June 1999.

No statutory audited financial statements have been prepared for Hillview since the date of the incorporation as there is no statutory requirements in the BVI.

For the purpose of this report, the directors of Hillview have prepared the financial statements of Hillview for the Relevant Periods (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and also examined the Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of Hillview for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. The Underlying Financial Statements are the responsibility of the directors of Hillview who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included.

No adjustment was deemed necessary to the Underlying Financial Statements for the year ended 31 December 2010 in preparing our report for inclusion in the Circular. However, due to the matters as described below, we were unable to conclude whether any adjustment is necessary to the Underlying Financial Statements for each of the two years ended 31 December 2012 and nine months ended 30 September 2013 in preparing our report for inclusion in the Circular.

It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you. However, for the purposes of this report, we were unable to carry out the procedures we considered necessary to assess the impact of the matters described below on the Financial Information of Hillview for each of the two years ended 31 December 2011 and 2012 and nine months ended 30 September 2013 to form the basis for an opinion on the Financial Information.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

Included in the statement of financial position as at 31 December 2011 and 2012 and 30 September 2013 was an investment in a joint venture amounting to approximately RMB 185,831,000. As described in note 7 to the Financial Information, Hillview acquired 65% of the registered capital of Dongguan Hillview Golf Company Limited (“Dongguan Hillview”) on 26 June 2011. At this acquisition date, Hillview has not measured the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of Hillview’s share of the net fair value of Dongguan Hillview’s identifiable assets and liabilities and the deemed cost of investment in Dongguan Hillview. In the absence of an appropriate valuation exercise performed at the acquisition date, we were unable to obtain sufficient information and explanations regarding the net fair value of Dongguan Hillview’s identifiable assets and liabilities and there were no other alternative procedures that we could adopt to satisfy ourselves that Hillview has properly accounted for the investment in Dongguan Hillview on acquisition.

As explained in notes 4 and 7 to the Financial Information, Hillview’s investment in a joint venture was carried at deemed cost less any impairment as at 31 December 2011 and 2012 and 30 September 2013. This is not in accordance with HKAS 28 (2011) “Investments in Associates and Joint Ventures” issued by the HKICPA, which requires Hillview to account for its interest in a joint venture using the equity method. In addition, Hillview has not disclosed certain financial information of Hillview’s investment in a joint venture in the Financial Information as at 31 December 2011 and 2012 and 30 September 2013 and for each of the two years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013, as required by HKFRS 12 “Disclosure of Interests in Other Entities” issued by the HKICPA.

It is not practicable to quantify the effects of the departure from these requirements on the Financial Information as at 31 December 2011 and 2012 and 30 September 2012 and 2013 and for each of the two years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013. Any adjustments found to be necessary would affect the net assets of Hillview as at the date of acquisition of Dongguan Hillview and at 31 December 2011 and 2012 and 30 September 2013, and its results for each of the two years ended 31 December 2012 and the nine months ended 30 September 2012 and 2013.

Disclaimer of Opinion as at 31 December 2011, 2012 and 30 September 2013 and Each of the Two Years Ended 31 December 2011 and 2012 and Nine Months Ended 30 September 2013

Because of the significance of the possible effects of the limitations in the scope of our examination work and the effects of the matters discussed in the preceding paragraphs, we do not express an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Hillview as at 31 December 2011 and 2012 and 30 September 2013, and of its results for each of the two years ended 31 December 2012 and the nine months ended 30 September 2013.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

Opinion as at 31 December 2010 and the Year Ended 31 December 2010

In our opinion, the Financial Information, together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Hillview as at 31 December 2010, and of its result for the year then ended.

Disclaimer of Review Conclusion for the Nine Months Ended 30 September 2012

The comparative statement of profit or loss and other comprehensive income and statement of changes in equity of Hillview for the nine months ended 30 September 2012 together with the notes thereon have been extracted from Hillview's financial statements for the same period (the "September 2012 Financial Information") which was prepared by the directors of Hillview solely for the purpose of this report. We were engaged to conduct a review on the September 2012 Financial Information 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. However, because of the significance of the possible effects of the limitation in the scope of our examination work and the effects of the matters discussed in the preceding paragraphs, we were unable to obtain sufficient appropriate evidence to form a conclusion on the September 2012 Financial Information. Accordingly, we do not express a conclusion on the September 2012 Financial Information.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

A. FINANCIAL INFORMATION**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expense, loss and total comprehensive expenses for the year/period	(16)	(2)	(6)	(6)	(4)

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

STATEMENTS OF FINANCIAL POSITION

		At		
		At 31 December		30 September
		2010	2011	2013
<i>Notes</i>		<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current asset				
Investment in a joint venture	7	–	185,831	185,831
Current liability				
Other payable		60	–	–
Amount due to a related company	11	–	62	72
Net current liability		60	62	72
Total asset less current liability		(60)	185,769	185,759
Net (liability) asset		<u>(60)</u>	<u>185,769</u>	<u>185,759</u>
Capital and reserves				
Share capital	12	–	–	–
Capital reserve		–	185,831	185,831
Accumulated losses		(60)	(62)	(72)
(Deficit) equity attributable to owner of the Company		<u>(60)</u>	<u>185,769</u>	<u>185,759</u>

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital contribution reserve	Accumulated losses	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January 2010	–	–	(44)	(44)
Loss and total comprehensive expense recognised for the year	–	–	(16)	(16)
At 31 December 2010	–	–	(60)	(60)
Loss and total comprehensive expense recognised for the year	–	–	(2)	(2)
Deemed capital contribution from the shareholder (<i>Note</i>)	–	185,831	–	185,831
At 31 December 2011	–	185,831	(62)	185,769
Loss and total comprehensive expense recognised for the year	–	–	(6)	(6)
At 31 December 2012	–	185,831	(68)	185,763
Loss and total comprehensive expense recognised for the period	–	–	(4)	(4)
At 30 September 2013	–	185,831	(72)	185,759
At 1 January 2012	–	185,831	(62)	185,769
Loss and total comprehensive expense recognised for the period	–	–	(6)	(6)
At 30 September 2012 (unaudited)	–	185,831	(68)	185,763

Note: On 26 June 2011, Chia Tai Golf Development Company Limited (“Chia Tai”), a company incorporated in the Cayman Islands, which was then wholly owned and controlled by an individual indirectly through Hillview Development Company Limited (“Hillview Development”), a company incorporated in the BVI, transferred its 65% equity interest in Dongguan Hillview Golf Company Limited (“Dongguan Hillview”) to Hillview for consideration of United States Dollar (“US\$”) 1. The investment cost of 65% equity interest in Dongguan Hillview recognised by Hillview was determined based on the original investment cost of Dongguan Hillview held by Chia Tai, since Chia Tai and Hillview were both wholly owned and under common control by the individual through Hillview Development. The difference between the consideration of US\$1 of the aforementioned transfer and the original investment cost in Dongguan Hillview held by Chia Tai was regarded as a deemed contribution from shareholder at the date of share transfer.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Hillview was incorporated in the BVI with limited liability on 30 June 1999. The address of the registered office of Hillview is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI and the principal place of business is No. 8, Yingbin Road, Dongcheng District, Dongguan, Guangdong.

Its immediate holding company and ultimate controlling shareholder were Hillview Development and an individual, respectively, prior to 17 May 2012. Pursuant to a share transfer agreement dated 17 May 2012, Leader Well Management Limited ("Leader Well") acquired the entire interest in Hillview from Hillview Development at a consideration of approximately RMB407.4 million. Leader Well, which is a company incorporated in Hong Kong with limited liability, is wholly owned and controlled by HNA Group (International) Company Limited ("HNA Hong Kong"), which is incorporated in Hong Kong, together with its subsidiaries other than Hillview will hereinafter be referred to as the "HNA Group". HNA Hong Kong is the ultimate holding company of Leader Well, and became the ultimate holding company of Hillview.

Hillview is an investment holding company. The principal activities of its joint venture for the Relevant Periods are set out in note 7. The Financial Information is presented in Renminbi ("RMB"), which is Hillview's functional currency. No statements of cash flow are presented as Hillview did not have any cash flows during the Relevant Periods.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

As at 31 December 2010, 2011 and 2012 and 30 September 2013, Hillview had net current liabilities of RMB60,000, RMB62,000, RMB68,000 and RMB72,000, respectively. The Financial Information has been prepared on a going concern basis because the ultimate holding company of Hillview has signed a letter of financial support agreeing to provide adequate funds to enable Hillview to meet in full its financial obligations in the foreseeable future.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Hillview has consistently applied Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations (herein collectively referred to as "New HKFRSs") issued by the HKICPA that are effective for annual accounting period beginning on 1 January 2013.

At the date of this report, the HKICPA has issued the following new and revised amendments and interpretations which are not yet effective.

HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors of Hillview anticipate that the application of new and revised amendments and interpretations will have no material impact on the Financial Information of Hillview.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for the failure (i) to measure the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of Hillview's share of the net fair value and the deemed cost of investment in Dongguan Hillview at the date acquired the joint venture as required by HKAS 28 (2011) "Investments in Associates and Joint Ventures" issued by the HKICPA; (ii) to account for the investment in a joint venture using equity method as required by HKAS 28 (2011); and (iii) to disclose certain financial information of Hillview's interest in a joint venture in the Financial Information as required by HKFRS 12 "Disclosure of Interests in Other Entities" issued by the HKICPA.

The principal accounting policies are set out below.

Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Hillview takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis.

Investment in a joint venture

Investment in a joint venture is included in Hillview's statements of financial position at deemed investment cost of joint venture at date of acquisition, less any identified impairment losses.

Impairment on joint venture

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Hillview's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Financial instruments

Financial liability is recognised when Hillview becomes a party to the contractual provisions of the instrument.

Financial liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial liability are added to or deducted from the fair value of financial liability, as appropriate, on initial recognition.

Financial liability and equity instruments

Debt and equity instruments issued by Hillview are classified as either financial liability or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Hillview after deducting all of its liabilities. Equity instruments issued by Hillview are recognised at the proceeds receivable, net of direct issue costs and unpaid share capital.

Financial liabilities

Financial liabilities (including other payable and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

Hillview derecognises a financial liability when, and only when, Hillview's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CAPITAL RISK MANAGEMENT

The ultimate holding company has agreed to provide financial support to Hillview to ensure that Hillview will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. Hillview's overall strategy remained unchanged throughout the Relevant Periods.

The capital structure of Hillview consists of equity comprising issued share capital net of unpaid share capital.

6. FINANCIAL INSTRUMENTS

6a. Category of financial instrument

	<u>2010</u>	<u>At 31 December 2011</u>	<u>2012</u>	<u>At 30 September 2013</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liability				
Amortised cost	<u>60</u>	<u>62</u>	<u>68</u>	<u>72</u>

6b. Financial risk management objectives and policies

Hillview's major financial instrument includes amount due to a related company. Detail of the financial instrument is disclosed in note 11. Management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The financial liability of Hillview are repayable on demand for Relevant Periods. Accordingly, no liquidity tables are presented.

6c. Fair value

The management of Hillview considers that the carrying amount of financial liability recorded at amortised cost in the Financial Information approximate its fair value.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

7. INVESTMENT IN A JOINT VENTURE

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deemed cost of unlisted investment in a joint venture	–	185,831	185,831	185,831
	–	185,831	185,831	185,831

On 26 June 2011, Chia Tai, a company incorporated in the Cayman Islands, which was then wholly owned and controlled by an individual indirectly through Hillview Development, transferred its 65% equity interest in Dongguan Hillview to Hillview for consideration of US\$1. The investment cost of 65% equity interest in Dongguan Hillview recognised by Hillview was determined based on the original investment cost of Dongguan Hillview held by Chia Tai, since Chia Tai and Hillview were both wholly owned and under common control by the individual through Hillview Development. The difference between the consideration of US\$1 of the aforementioned transfer and the original investment cost in Dongguan Hillview held by Chia Tai was regarded as a deemed contribution from shareholder at the date of share transfer.

Dongguan Hillview is owned as to 65% and 35% by Hillview and HNA Huanan (Holdings) Group Company Limited (“HNA Huanan”), which is a wholly owned subsidiary of HNA Hong Kong. In accordance with the Articles of Association of Dongguan Hillview (the “Articles”), the board of directors consist of 5 members for which 3 of them are assigned by Hillview and the remaining 2 members are assigned by HNA Huanan. At least two-third of the votes of the board of directors of Dongguan Hillview are required to pass resolutions in relation to the financial and operating activities of Dongguan Hillview, which are considered as the relevant activities of Dongguan Hillview.

The Articles will be amended only if both Hillview and HNA Huanan mutually agree for the amendments on the Articles. Given that decisions relating to relevant activities require unanimous consent of both board representatives of Hillview and HNA Huanan, the arrangement of Dongguan Hillview is a joint arrangement. Based on the structure and legal form of joint arrangement of Dongguan Hillview and the contractual terms agreed by the parties to the arrangement, Dongguan Hillview has been accounted for as a joint venture.

As at 31 December 2011 and 2012 and 30 September 2013, Hillview has interests in the following joint venture which established and operate in the PRC:

Name of entity	Issued and fully paid up registered capital	Percentage of equity attributable to Hillview		Proportion of voting power held		Principal activities		
		<i>USD'000</i>		31 December	30		31 December	30
		2011 and 2012	September 2013	2011 and 2012	September 2013		2011 and 2012	September 2013
Dongguan Hillview	34,060	65%	65%	65%	65%	Operation of golf club and hotel and leisure services		

Hillview has not measured the identified assets acquired and the liabilities assumed of Dongguan Hillview at fair value such that the investment in the joint venture can be measured at the higher of Hillview’s share of the net fair value and the deemed cost of investment in Dongguan Hillview at the date acquired Dongguan Hillview and accounted for its investment in a joint venture using equity method in accordance with HKAS 28 (2011). In addition, Hillview has not disclosed certain financial information of Hillview’s investment in a joint venture in the Financial Information as at 31 December 2011 and 2012 and 30 September 2013 together with for each of the two years ended 31 December 2012 and nine months ended 30 September 2012 and 2013, which was required by HKFRS 12, as, in the opinion of the directors of Hillview, it would involve expenses and delay out of proportion to the value to the members of Hillview. As at the date of issuance of this Financial Information, Dongguan Hillview is a joint venture of Hillview. On completion of the Acquisition, the Articles will be amended so that Dongguan Hillview will become a subsidiary of Hillview.

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

8. SEGMENT REPORTING

The operations of Hillview represent a single operating and reportable segment of Hillview under HKFRS 8 "Operating Segments". Segment result of Hillview represents the loss for the year/period during the Relevant Period. As no other discrete financial information is available for assessment of performance, no segment information is presented.

As Hillview's segment assets and liabilities are not regularly provided to Hillview's directors, being the chief operating decision maker ("CODM"), such information is not presented.

9. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

10. LOSS FOR THE YEAR/PERIOD

	2010	Year ended 31 December 2011	2012	Nine months ended 30 September 2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	

Loss for the year/period has been arrived at after charging:

Directors' emoluments	-	-	-	-	-
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11. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company represent cash paid by a subsidiary of HNA Hong Kong on behalf of Hillview. The amount is unsecured, non-interest bearing and repayable on demand.

12. SHARE CAPITAL

	Number of shares	Share capital US\$
Ordinary shares of US\$1 each		
Authorised:		
At 1 January 2010, 31 December 2010, 2011, 2012 and 30 September 2013	50,000	50,000
Issued:		
On date of incorporation	50,000	50,000
Unpaid share capital	(50,000)	(50,000)
	-	-
		<i>RMB'000</i>
Shown in the Financial Information as at 31 December 2010, 2011, 2012 and 30 September 2013 as		-

APPENDIX IIA ACCOUNTANTS' REPORT ON THE TARGET COMPANY

13. RELATED PARTY DISCLOSURES

(I) Transactions

During the Relevant Periods, Chia Tai transferred 65% equity interest in a joint venture to Hillview as disclosed in note 7. Except for this transfer, Hillview did not enter into any material transaction with related companies during the Relevant Periods.

(II) Balances

Details of balances with a related party are set out in note 11.

(III) Compensation of key management personnel

The key management personnel comprises all directors of Hillview. No remuneration was paid or is payable by Hillview to its directors for the Relevant Periods.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Hillview in respect of any period subsequent 30 September 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

26 March 2014

The Directors

Shougang Concord Technology Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Dongguan Hillview Golf Company Limited (“Dongguan Hillview”) for each of the three years ended 31 December 2012 and the nine months ended 30 September 2013 (the “Relevant Periods”) for inclusion in a circular issued by Shougang Concord Technology Holdings Limited (the “Company”) dated 26 March 2014 (the “Circular”) in connection with the proposed acquisition of the entire equity interests in Hillview Golf Development Company Limited which holds 65% equity interest in Dongguan Hillview (the “Acquisition”).

Dongguan Hillview, which is engaged in operation of golf club and provision of hotel and leisure services, was established and registered in the People’s Republic of China (the “PRC”) with limited liability on 30 September 1993.

The statutory financial statements of Dongguan Hillview were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by the following certified public accountants registered in the PRC, as appropriate.

Year ended	Name of auditor
31 December 2012	深圳中皓華益會計師事務所
31 December 2011	中審亞太會計師事務所有限公司
31 December 2010	大信會計師事務所有限公司

For the purpose of this report, the directors of Dongguan Hillview have prepared the financial statements of Dongguan Hillview for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (“Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of Dongguan Hillview for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary to the Underlying Financial Statements in preparing our reporting for inclusion in the Circular.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

The Underlying Financial Statements are the responsibility of the directors of Dongguan Hillview who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Dongguan Hillview as at 31 December 2010, 2011 and 2012 and 30 September 2013, and of the results and cash flows of Dongguan Hillview for the Relevant Periods.

The comparative statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity of Dongguan Hillview for the nine months ended 30 September 2012 together with the notes thereon have been extracted from Dongguan Hillview's financial statements for the same period (the "September 2012 Financial Information") which was prepared by the directors of Dongguan Hillview solely for the purpose of this report. We conducted our review on the September 2012 Financial Information in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, 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 conducted with the 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 September 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the September 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of Financial Information which conform with HKFRSs.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

A. FINANCIAL INFORMATION

Statements of Profit or Loss and other Comprehensive Income

	<i>Notes</i>	Year ended 31 December			Nine months ended 30 September	
		2010	2011	2012	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)	
Revenue	7	121,122	128,974	123,875	88,997	103,155
Direct operating expenses		(84,300)	(94,913)	(89,664)	(66,239)	(69,422)
Gross profit		36,822	34,061	34,211	22,758	33,733
Other income	8a	1,387	10,654	39,003	29,130	30,118
Other gains and losses	8b	(184)	(291)	–	–	416
Selling expenses		(1,407)	(1,633)	(1,619)	(1,254)	(1,259)
Administrative expenses		(16,309)	(22,357)	(22,943)	(18,744)	(19,525)
Finance costs	9	(683)	(8,637)	(33,804)	(25,368)	(23,796)
Profit before tax	10	19,626	11,797	14,848	6,522	19,687
Income tax expense	13	(4,462)	(3,116)	(3,125)	(1,071)	(4,491)
Profit and total comprehensive income for the year/period		15,164	8,681	11,723	5,451	15,196

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

Statements of Financial Position

	Notes	At 31 December			At 30
		2010	2011	2012	September
		RMB'000	RMB'000	RMB'000	2013
					RMB'000
Non-current assets					
Property, plant and equipment	14	204,690	195,595	182,035	168,867
Prepaid lease payments	15	162,643	157,560	152,477	148,665
Deposit paid for acquisition of property, plant and equipment		–	–	730	1,272
Advance to a shareholder	18	–	409,100	465,554	460,727
Deferred tax assets	22	40,746	40,790	43,711	42,876
		<u>408,079</u>	<u>803,045</u>	<u>844,507</u>	<u>822,407</u>
Current assets					
Prepaid lease payments	15	5,083	5,083	5,083	5,083
Inventories	16	2,923	5,723	4,300	5,848
Trade receivables	17	3,953	2,865	3,125	3,934
Other receivables and prepayments	17	288	356	494	788
Tax recoverable		–	644	–	–
Amounts due from related companies	18	47,266	46,980	40,187	60,642
Advance to a shareholder	18	–	–	10,000	20,000
Bank balances and cash	19	122,115	35,515	5,350	9,936
		<u>181,628</u>	<u>97,166</u>	<u>68,539</u>	<u>106,231</u>
Current liabilities					
Trade payables	20	2,806	6,549	2,514	6,210
Other payables and accruals	20	26,661	20,151	14,420	17,908
Deferred revenue	23	20,393	22,038	24,786	26,945
Advance from a shareholder	18	100,000	–	–	–
Amounts due to related companies	18	–	–	22,129	5,604
Tax liabilities		1,034	–	5,402	8,629
Financial guarantee liability	29	–	–	–	328
Bank borrowings	21	–	10,000	10,000	21,000
		<u>150,894</u>	<u>58,738</u>	<u>79,251</u>	<u>86,624</u>
Net current assets (liabilities)		<u>30,734</u>	<u>38,428</u>	<u>(10,712)</u>	<u>19,607</u>
Total assets less current liabilities		<u>438,813</u>	<u>841,473</u>	<u>833,795</u>	<u>842,014</u>
Non-current liabilities					
Deferred revenue	23	235,247	239,226	236,771	232,038
Bank borrowings	21	–	390,000	380,000	378,500
		<u>235,247</u>	<u>629,226</u>	<u>616,771</u>	<u>610,538</u>
Net assets		<u>203,566</u>	<u>212,247</u>	<u>217,024</u>	<u>231,476</u>
Capital and reserves					
Registered capital	24	285,894	285,894	285,894	285,894
Capital reserve		–	–	(6,946)	(7,690)
Accumulated losses		(82,328)	(73,647)	(61,924)	(46,728)
Total equity		<u>203,566</u>	<u>212,247</u>	<u>217,024</u>	<u>231,476</u>

Statements of Changes in Equity

	Share capital	Capital reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010	285,894	–	(97,492)	188,402
Profit and total comprehensive income recognised for the year	–	–	15,164	15,164
At 31 December 2010	285,894	–	(82,328)	203,566
Profit and total comprehensive income recognised for the year	–	–	8,681	8,681
At 31 December 2011	285,894	–	(73,647)	212,247
Profit and total comprehensive income recognised for the year	–	–	11,723	11,723
Deemed distribution recognised on fair value of interest-free advance to a shareholder (<i>Note a</i>)	–	(6,946)	–	(6,946)
At 31 December 2012	285,894	(6,946)	(61,924)	217,024
Profit and total comprehensive income recognised for the period	–	–	15,196	15,196
Deemed distribution recognised on fair value of financial guarantee contract provided to a related company at initial recognition (<i>Note b</i>)	–	(744)	–	(744)
At 30 September 2013	<u>285,894</u>	<u>(7,690)</u>	<u>(46,728)</u>	<u>231,476</u>
At 1 January 2012	285,894	–	(73,647)	212,247
Profit and total comprehensive income recognised for the period	–	–	5,451	5,451
Deemed distribution recognised on fair value of interest-free advance to a shareholder (<i>Note a</i>)	–	(6,946)	–	(6,946)
At 30 September 2012 (unaudited)	<u>285,894</u>	<u>(6,946)</u>	<u>(68,196)</u>	<u>210,752</u>

Note a: Deemed distribution represented the imputed interest calculated at an interest rate of 9% per annum on the interest-free advance to a shareholder which is described in more details in note 18.

Note b: Deemed distribution represented the fair value of financial guarantee contract provided to a subsidiary of a shareholder amounting to RMB744,000 at initial recognition which is described in more details in note 29.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	19,626	11,797	14,848	6,522	19,687
Adjustments for:					
Depreciation of property, plant and equipment	20,415	20,275	22,076	15,538	19,498
Amortisation of prepaid lease payments	5,083	5,083	5,083	3,812	3,812
Finance costs	683	8,637	33,804	25,368	23,796
Loss on disposal of property, plant and equipment	184	291	–	–	–
Imputed interest income	–	–	(1,913)	(1,194)	(2,157)
Financial guarantee income	–	–	–	–	(416)
Interest income	(45)	(9,581)	(35,945)	(27,060)	(26,178)
Operating cash flows before movements in working capital	45,946	36,502	37,953	22,986	38,042
(Increase) decrease in inventories	(948)	(2,800)	1,423	(641)	(1,548)
Decrease (increase) in trade and other receivables and prepayments	240	1,020	(398)	(1,379)	(1,103)
(Increase) decrease in amounts due from related companies	(3,427)	286	6,793	18,457	(20,455)
(Decrease) increase in trade and other payables	(7,381)	(2,767)	(9,766)	(9,289)	7,184
Increase (decrease) in deferred revenue	3,508	5,624	293	3,280	(2,574)
Increase (decrease) in amounts due to related companies	–	–	22,129	17,849	(16,525)
Cash generated from operations	37,938	37,865	58,427	51,263	3,021
Income tax paid	(2,606)	(4,838)	–	–	(429)
NET CASH FROM OPERATING ACTIVITIES	35,332	33,027	58,427	51,263	2,592

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

	Year ended 31 December			Nine months ended	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
INVESTING ACTIVITIES					
Deposits paid for acquisition of property, plant and equipment	-	-	(730)	(730)	(1,272)
Purchase of property, plant and equipment	(171)	(11,530)	(8,516)	(8,341)	(5,600)
Advance to a shareholder	-	(400,000)	(35,672)	(35,672)	-
Repayment from a shareholder	-	-	-	-	20,000
Proceeds from disposal of property, plant and equipment	5	59	-	-	-
Interest income	45	481	130	118	3,162
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(121)	(410,990)	(44,788)	(44,625)	16,290
FINANCING ACTIVITIES					
Interest paid	(683)	(8,637)	(33,804)	(25,368)	(23,796)
Advance from (repayment to) a shareholder	100,000	(100,000)	-	-	-
Repayment to a related company	(15,000)	-	-	-	-
Bank borrowings raised	-	400,000	-	-	20,000
Repayment of bank borrowings	(10,000)	-	(10,000)	(10,000)	(10,500)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	74,317	291,363	(43,804)	(35,368)	(14,296)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109,528	(86,600)	(30,165)	(28,730)	4,586
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	12,587	122,115	35,515	35,515	5,350
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	122,115	35,515	5,350	6,785	9,936

Notes to the Financial Information

1. GENERAL

Dongguan Hillview was established in the PRC with limited liability on 30 September 1993. The address of the registered office and principal place of business of Dongguan Hillview is at No. 8, Yingbin Road, Dongcheng District, Dongguan, Guangdong, the PRC.

Dongguan Hillview is owned as to 65% and 35% by the shareholders, Hillview Golf Development Company Limited (“Hillview”) (formerly known as “Chia Tai Golf Development Company Limited”), which was established in the British Virgin Islands, and HNA Huanan (Holdings) Group Company Limited (previously known as “Guangzhou HNA Industrial Company Limited”) (“HNA Huanan”), which was established in the PRC. Prior to 17 May 2012, the immediate holding company of Hillview was Hillview Development Company Limited (“Hillview Development”) which is a company incorporated in the BVI. Pursuant to a share transfer agreement dated 17 May 2012, Leader Well Management Limited (“Leader Well”), which was incorporated in Hong Kong with limited liability, acquired the entire interest in Hillview from Hillview Development at a consideration of approximately RMB407.4 million. Leader Well is a wholly owned subsidiary and controlled by HNA Group (International) Company Limited (“HNA Hong Kong”), which was incorporated in Hong Kong, together with its subsidiaries other than Dongguan Hillview will hereinafter be referred to as the “HNA Group”. HNA Hong Kong is the ultimate holding company of Leader Well and HNA Huanan and it became the ultimate holding company of Dongguan Hillview subsequent to Leader Well’s acquisition.

Dongguan Hillview is principally engaged in operations of golf club and provision of hotel and leisure services.

The Financial Information is presented in Renminbi (“RMB”), which is also Dongguan Hillview’s functional currency.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Dongguan Hillview has consistently applied Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2013.

At the date of this report, the HKICPA has issued the following new and revised amendments and interpretations which are not yet effective.

HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The directors of Dongguan Hillview anticipate that the application of these new and revised amendments and interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Dongguan Hillview takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from golf club operations

The initial membership fee is amortised on a straight-line basis based on the remaining period to the expiry date of business license of Dongguan Hillview and the unamortised initial membership fee is recognised as deferred revenue (see accounting policy on deferred revenue below). The annual/monthly membership fee and the service income related to the usage of golf club's facilities are recognised when services are provided.

Revenue from hotel and leisure operations

Revenue from hotel and leisure operations comprising hotel accommodation, food and beverages are recognised when the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to Dongguan Hillview and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deferred revenue

Deferred revenue represents the unamortised portion of initial membership fees.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of services, or for administrative purposes other than properties under construction as described below are stated in the statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property in the course of construction for supply or administrative purposes are carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing cost capitalised in accordance with Dongguan Hillview's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

Dongguan Hillview as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Dongguan Hillview as lessee

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statements of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs incurred for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the profit before tax as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Dongguan Hillview's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Dongguan Hillview expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when Dongguan Hillview becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Dongguan Hillview's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, advance to a shareholder, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Dongguan Hillview's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period up to 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by Dongguan Hillview are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Dongguan Hillview after deducting all of its liabilities. Equity instruments issued by Dongguan Hillview are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, advance from a shareholder, amounts due to related companies and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by Dongguan Hillview is initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

Dongguan Hillview derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Dongguan Hillview derecognises financial liabilities when, and only when, Dongguan Hillview's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, Dongguan Hillview reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, Dongguan Hillview estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Dongguan Hillview's accounting policies, which are described in note 3, the directors of Dongguan Hillview are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of Dongguan Hillview have made in the process of applying Dongguan Hillview's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Revenue recognition of initial membership fee

The initial membership fee is deferred and recognised as revenue over the life of the golf membership. The directors of Dongguan Hillview have determined the remaining period to the expiry date of business license of Dongguan Hillview as the expected useful lives for the usage of golf club's facilities and hence, the initial membership fee is amortised on a straight-line basis based on the remaining period to the expiry date of business license of Dongguan Hillview.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Useful lives and residual values of property, plant and equipment

The carrying value of Dongguan Hillview's property, plant and equipment was approximately RMB204,690,000, RMB195,595,000, RMB182,035,000 and RMB168,867,000 as at 31 December 2010, 2011 and 2012 and 30 September 2013, respectively. Dongguan Hillview depreciates the property, plant and equipment on a straight-line basis over their estimated useful lives of 2.6 to 26 years, after taking into account their estimated residual value, commencing from the date the property, plant and equipment is available for use.

The estimated useful lives reflect the directors of Dongguan Hillview's estimate of the periods that Dongguan Hillview intends to derive future economic benefits from the usage of Dongguan Hillview's property, plant and equipment. In addition, the estimated residual values reflect the directors of Dongguan Hillview's estimate of the amounts that Dongguan Hillview would receive from the assets when they are already of the age and in the condition expected at the end of their useful lives. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

5. CAPITAL RISK MANAGEMENT

Dongguan Hillview manages its capital to ensure that Dongguan Hillview will be able to continue as a going concern while maximising the return to stakeholders and maintaining an adequate capital structure. Dongguan Hillview's overall strategy remained unchanged throughout the Relevant Periods.

The capital structure of Dongguan Hillview consists of net debts, which includes the bank borrowings disclosed in note 21, net of cash and cash equivalents and equity, comprising paid in capital.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	At 31 December			At
	2010	2011	2012	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2013</i>
				<i>RMB'000</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	173,571	494,703	524,402	555,529
Financial liabilities				
Amortised cost	104,969	410,738	420,741	414,730
Financial guarantee contract	-	-	-	328

6b. Financial risk management objectives and policies

Dongguan Hillview's major financial instruments include advance (from) to a shareholder, trade and other receivables, amounts due from (to) related companies, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Dongguan Hillview is exposed to fair value interest rate risk in relation to fixed-rate advance to a shareholder (see note 18).

Dongguan Hillview are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Dongguan Hillview's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China's lending rate ("Lending Rate") arising from the bank borrowings.

Dongguan Hillview's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year/period. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates on bank borrowings at the end of each reporting period.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant at the end of the reporting period, the impact on profit or loss would be as follows:

	Year ended 31 December			Nine months ended
	2010	2011	2012	30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Decrease in post-tax profit	–	1,500	1,463	1,124

Credit risk

At the respective reporting dates, Dongguan Hillview's maximum exposure to credit risk which will cause a financial loss to Dongguan Hillview due to failure to discharge an obligation by the counterparties and financial guarantees provided by Dongguan Hillview is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by Dongguan Hillview as disclosed in note 29.

In order to minimise the credit risk, the directors of Dongguan Hillview have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of Dongguan Hillview review the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Dongguan Hillview consider that Dongguan Hillview's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Dongguan Hillview is exposed to credit risk from a financial guarantee contract. The directors of Dongguan Hillview periodically monitor the financial position of the related company to ensure it is financially viable to settle the banking facilities drawn from financial institutions.

Dongguan Hillview has concentration of credit risk from advance to a shareholder and amounts due from related companies. The directors of Dongguan Hillview periodically monitor the financial position of the shareholder and each related company to ensure they are financially viable to settle the debts due to Dongguan Hillview.

There was no significant concentration of credit risk for Dongguan Hillview's trade and other receivables with exposure spreading over a number of customers.

Liquidity risk

Dongguan Hillview's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank borrowings, as appropriate.

The following table details Dongguan Hillview's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Dongguan Hillview can be required to pay.

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Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying value at 31.12.2010
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010								
Trade payables	–	2,806	–	–	–	–	2,806	2,806
Other payables	–	2,163	–	–	–	–	2,163	2,163
Advance from a shareholder	–	100,000	–	–	–	–	100,000	100,000
		<u>104,969</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>104,969</u>	<u>104,969</u>
		<u>104,969</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>104,969</u>	<u>104,969</u>
	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying value at 31.12.2011
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2011								
Trade payables	–	6,549	–	–	–	–	6,549	6,549
Other payables	–	4,189	–	–	–	–	4,189	4,189
Bank borrowings – variable rate	8.46	13,354	29,851	42,360	147,561	384,578	617,704	400,000
		<u>24,092</u>	<u>29,851</u>	<u>42,360</u>	<u>147,561</u>	<u>384,578</u>	<u>628,442</u>	<u>410,738</u>
		<u>24,092</u>	<u>29,851</u>	<u>42,360</u>	<u>147,561</u>	<u>384,578</u>	<u>628,442</u>	<u>410,738</u>
	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying value at 31.12.2012
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2012								
Trade payables	–	2,514	–	–	–	–	2,514	2,514
Other payables	–	6,098	–	–	–	–	6,098	6,098
Amounts due to related companies	–	22,129	–	–	–	–	22,129	22,129
Bank borrowings – variable rate	8.46	13,143	29,217	50,879	142,485	338,775	574,499	390,000
		<u>43,884</u>	<u>29,217</u>	<u>50,879</u>	<u>142,485</u>	<u>338,775</u>	<u>605,240</u>	<u>420,741</u>
		<u>43,884</u>	<u>29,217</u>	<u>50,879</u>	<u>142,485</u>	<u>338,775</u>	<u>605,240</u>	<u>420,741</u>
	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying value at 30.9.2013
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 September 2013								
Trade payables	–	6,210	–	–	–	–	6,210	6,210
Other payables	–	3,416	–	–	–	–	3,416	3,416
Amounts due to related companies	–	5,604	–	–	–	–	5,604	5,604
Bank borrowings – variable rate	7.92	7,910	43,899	50,146	151,733	299,272	552,960	399,500
Financial guarantee contract (Note)	–	5,000	–	–	–	–	5,000	328
		<u>28,140</u>	<u>43,899</u>	<u>50,146</u>	<u>151,733</u>	<u>299,272</u>	<u>573,190</u>	<u>415,058</u>
		<u>28,140</u>	<u>43,899</u>	<u>50,146</u>	<u>151,733</u>	<u>299,272</u>	<u>573,190</u>	<u>415,058</u>

Note: The amounts included above for the total undiscounted cash flow on financial guarantee contracts are the maximum amounts Dongguan Hillview could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

6c. Fair value

The directors of Dongguan Hillview consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Dongguan Hillview's revenue represents the amount received and receivable for operation of golf club and provision of hotel and leisure services during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operations of golf club	95,479	99,333	94,126	67,760	81,870
Hotel and leisure services	25,643	29,641	29,749	21,237	21,285
	<u>121,122</u>	<u>128,974</u>	<u>123,875</u>	<u>88,997</u>	<u>103,155</u>

The operations of Dongguan Hillview represent a single operating and reportable segment of Dongguan Hillview under HKFRS 8 "Operating Segments". Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC ("PRC GAAP"). The chief operating decision-maker ("CODM") which is responsible for allocating resources and assessing performance of the operating segments has been defined as the directors of Dongguan Hillview.

Other than revenue analysis by major operations as disclosed above, no operating results and other discrete financial information relating to the respective operations is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The directors of Dongguan Hillview also review the profit after tax of Dongguan Hillview prepared under PRC GAAP for the purposes of resources allocation and performance assessment.

The difference between the amounts reported under HKFRSs and the amounts reported to the CODM is mainly arising from the different accounting treatment of the initial membership fee and the related deferred taxation. The initial membership fee is recognised in the profit or loss upon subscription of membership by customers under PRC GAAP, while it is amortised on a straight-line basis based on the remaining period to the expiry date of business license of Dongguan Hillview under HKFRSs.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

The difference between revenue and profit for the year/period reported to the CODM and those respective amounts reported under HKFRSs are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue reported to the CODM	125,585	133,651	140,058	106,578	103,191
Add: Adjustments on revenue arising from the amortisation of initial membership fee	(4,463)	(4,677)	(16,183)	(17,581)	(36)
Revenue under HKFRSs	<u>121,122</u>	<u>128,974</u>	<u>123,875</u>	<u>88,997</u>	<u>103,155</u>
Profit (loss) for the year/period reported to the CODM	13,269	(10,339)	(12,142)	(6,068)	(10,608)
Add: Adjustments on revenue arising from the amortisation of initial membership fee	(4,463)	(4,677)	(16,183)	(17,581)	(36)
Adjustments on deferred taxation arising from the deferred revenue	1,115	1,169	4,046	4,395	9
Adjustments on amortisation and depreciation expenses arising on prepaid lease payments and buildings, net of tax	3,375	3,375	3,375	2,531	2,531
Other GAAP differences and audit adjustments (<i>Note</i>)	1,868	19,153	32,627	22,174	23,300
Profit for the year/period under HKFRSs	<u>15,164</u>	<u>8,681</u>	<u>11,723</u>	<u>5,451</u>	<u>15,196</u>

Note: These adjustments mainly represent interest income from advance to a shareholder, imputed interest income on interest-free advance to a shareholder, office expenses, depreciation expenses, accrual bonuses, land use tax and related tax impacts that had not been recorded in the profit (loss) for the year/period reported to the CODM.

As Dongguan Hillview's segment assets and liabilities are not regularly provided to Dongguan Hillview's CODM, such information is not presented.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

Geographical information

All the revenue of Dongguan Hillview were derived from the operation of its golf club and hotel in the PRC based on where the services are provided.

Information about major customers

There was no revenue from single customer contributing over 10% of total revenue of Dongguan Hillview.

8a. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Interest income from advance to a shareholder	–	9,100	35,815	26,942	26,161
Imputed interest income on interest-free advance to a shareholder	–	–	1,913	1,194	2,157
Rental income	1,200	966	1,103	847	850
Bank interest income	45	481	130	118	17
Others	142	107	42	29	933
	<u>1,387</u>	<u>10,654</u>	<u>39,003</u>	<u>29,130</u>	<u>30,118</u>

8b. OTHER GAINS AND LOSSES

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Loss on disposal of property, plant and equipment	(184)	(291)	–	–	–
Financial guarantee income	–	–	–	–	416
	<u>(184)</u>	<u>(291)</u>	<u>–</u>	<u>–</u>	<u>416</u>

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Interest on:					
Bank borrowings wholly repayable within five years	22	–	–	–	–
Bank borrowings not wholly repayable within five years	–	8,637	33,804	25,368	23,796
Other borrowings wholly repayable within five years (Note)	661	–	–	–	–
	<u>683</u>	<u>8,637</u>	<u>33,804</u>	<u>25,368</u>	<u>23,796</u>

Note: The interest expense incurred during the year ended 31 December 2010 arose on the borrowing of RMB15,000,000 from a subsidiary of a shareholder which was repaid in 2010.

10. PROFIT BEFORE TAX

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Profit before tax has been arrived at after charging:					
Directors' emoluments (Note 11)	788	821	766	570	503
Salaries and other allowances	20,932	28,186	28,626	20,774	20,824
Retirement benefit scheme contributions, excluding those of directors	1,832	2,441	2,797	1,921	2,515
Total staff costs	<u>23,552</u>	<u>31,448</u>	<u>32,189</u>	<u>23,265</u>	<u>23,842</u>
Auditors' remuneration	50	53	76	46	62
Cost of inventories recognised as an expense	7,689	7,790	6,761	4,921	4,804
Depreciation of property, plant and equipment	20,415	20,275	22,076	15,538	19,498
Amortisation of prepaid lease payments	<u>5,083</u>	<u>5,083</u>	<u>5,083</u>	<u>3,812</u>	<u>3,812</u>

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid/payable to the directors of Dongguan Hillview for the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fee	–	–	–	–	–
Salaries and other allowances	755	787	716	543	395
Retirement benefit scheme contributions	33	34	50	27	108
	<u>788</u>	<u>821</u>	<u>766</u>	<u>570</u>	<u>503</u>

Executive directors:

	Year ended 31 December						Nine months ended 30 September			
	2010		2011		2012		2012		2013	
	Salaries and other allowance	Retirement benefit scheme contributions	Salaries and other allowance	Retirement benefit scheme contributions	Salaries and other allowance	Retirement benefit scheme contributions	Salaries and other allowance	Retirement benefit scheme contributions	Salaries and other allowance	Retirement benefit scheme contributions
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
							(unaudited)	(unaudited)		
Yu Xi Jing (appointed on 11 June 2012)	–	–	–	–	42	6	–	–	98	29
Lu Xiao Ming (appointed on 27 June 2011)	–	–	–	–	46	4	–	–	103	20
Li Xing (appointed on 11 June 2012)	–	–	–	–	42	6	–	–	95	26
Wei Zhi Min (appointed on 27 June 2011)	–	–	–	–	43	7	–	–	99	33
Yao Tai Min (appointed on 11 June 2012)	–	–	–	–	–	–	–	–	–	–
Li Min Li (resigned on 11 June 2012)	419	22	436	23	301	18	301	18	–	–
Li Wei An (resigned on 11 June 2012)	336	11	351	11	242	9	242	9	–	–
Ma Wei Zhao (resigned on 11 June 2012)	–	–	–	–	–	–	–	–	–	–
Zhou Ri Jia (appointed on 8 June 2010 and resigned on 27 June 2011)	–	–	–	–	–	–	–	–	–	–
Chen Xie (appointed on 8 June 2010 and resigned on 27 June 2011)	–	–	–	–	–	–	–	–	–	–
	<u>755</u>	<u>33</u>	<u>787</u>	<u>34</u>	<u>716</u>	<u>50</u>	<u>543</u>	<u>27</u>	<u>395</u>	<u>108</u>

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

Notes: For the years ended 31 December 2010 and 2011, Mr. Ma Wei Zhao is also the Chief Executive of Dongguan Hillview and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For the year ended 31 December 2012 and nine months ended 30 September 2012 and 2013, Mr. Lu Xiao Ming Zhao is also the Chief Executive of Dongguan Hillview and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Employees

The five highest paid individuals of Dongguan Hillview included two directors for the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2012, and included four directors for the nine months ended 30 September 2013, details of their emoluments are set out above. The emoluments of the remaining three individuals, for the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2012, and remaining one individual for the nine months ended 30 September 2013 whose emoluments are individually below HK\$1,000,000 (equivalent to approximately RMB792,000) are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Salaries and other allowances	805	837	641	547	107
Retirement benefit scheme contributions	50	53	53	42	27
	855	890	694	589	134
	855	890	694	589	134

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

13. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Enterprise income tax in the PRC	4,452	3,160	6,046	4,622	3,656
Deferred tax expense (credit)	10	(44)	(2,921)	(3,551)	835
	<u>4,462</u>	<u>3,116</u>	<u>3,125</u>	<u>1,071</u>	<u>4,491</u>

Dongguan Hillview is subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit before tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Profit before tax	<u>19,626</u>	<u>11,797</u>	<u>14,848</u>	<u>6,522</u>	<u>19,687</u>
Tax at EIT rate (25%)	4,907	2,949	3,712	1,631	4,922
Tax effect of expenses not deductible for tax purpose	228	840	564	243	716
Tax effect of income not taxable for tax purpose	(673)	(673)	(1,151)	(803)	(1,147)
Tax charge for the year/period	<u>4,462</u>	<u>3,116</u>	<u>3,125</u>	<u>1,071</u>	<u>4,491</u>

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

14. PROPERTY, PLANT AND EQUIPMENT

	Golf course	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST							
As at 1 January 2010	158,875	145,780	46,590	55,167	3,956	–	410,368
Additions	–	–	–	39	132	–	171
Disposals	–	–	–	(1,893)	–	–	(1,893)
As at 31 December 2010	158,875	145,780	46,590	53,313	4,088	–	408,646
Additions	–	–	–	4,922	64	6,544	11,530
Disposals	–	–	–	(3,020)	(360)	–	(3,380)
As at 31 December 2011	158,875	145,780	46,590	55,215	3,792	6,544	416,796
Additions	–	–	26	937	–	7,553	8,516
Transfer	13,811	–	286	–	–	(14,097)	–
As at 31 December 2012	172,686	145,780	46,902	56,152	3,792	–	425,312
Additions	–	–	–	6,318	12	–	6,330
As at 30 September 2013	172,686	145,780	46,902	62,470	3,804	–	431,642
DEPRECIATION							
As at 1 January 2010	95,802	27,344	17,527	41,593	2,979	–	185,245
Provided for the year	10,466	3,039	4,504	2,259	147	–	20,415
Eliminated on disposals	–	–	–	(1,704)	–	–	(1,704)
As at 31 December 2010	106,268	30,383	22,031	42,148	3,126	–	203,956
Provided for the year	10,466	3,039	4,489	2,119	162	–	20,275
Eliminated on disposals	–	–	–	(2,715)	(315)	–	(3,030)
As at 31 December 2011	116,734	33,422	26,520	41,552	2,973	–	221,201
Provided for the year	11,769	3,039	4,516	2,591	161	–	22,076
As at 31 December 2012	128,503	36,461	31,036	44,143	3,134	–	243,277
Provided for the period	11,759	2,277	3,382	1,965	115	–	19,498
As at 30 September 2013	140,262	38,738	34,418	46,108	3,249	–	262,775
CARRYING VALUE							
As at 31 December 2010	52,607	115,397	24,559	11,165	962	–	204,690
As at 31 December 2011	42,141	112,358	20,070	13,663	819	6,544	195,595
As at 31 December 2012	44,183	109,319	15,866	12,009	658	–	182,035
As at 30 September 2013	32,424	107,042	12,484	16,362	555	–	168,867

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

The property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Golf course	2.6 – 15 years
Buildings	22 – 26 years
Leasehold improvements	5 – 10 years
Plant and machinery	3 – 10 years
Motor vehicles	5 – 10 years

Applications for property ownership certificates of the buildings located in the PRC with aggregate carrying values of RMB15,363,000, RMB14,949,000, RMB14,536,000 and RMB14,226,000 at 31 December 2010, 31 December 2011, 31 December 2012 and 30 September 2013, respectively are still in the progress.

15. PREPAID LEASE PAYMENTS

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Medium-term leasehold land in the PRC	167,726	162,643	157,560	153,748
Analysed for reporting purposes as:				
Current asset	5,083	5,083	5,083	5,083
Non-current asset	162,643	157,560	152,477	148,665
	<u>167,726</u>	<u>162,643</u>	<u>157,560</u>	<u>153,748</u>

16. INVENTORIES

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Food and beverages	1,530	2,158	768	2,077
Consumables	1,393	3,565	3,532	3,771
	<u>2,923</u>	<u>5,723</u>	<u>4,300</u>	<u>5,848</u>

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Dongguan Hillview allows credit period up to 60 days to certain customers. The aged analysis of Dongguan Hillview's trade receivables based on invoice dates at the respective reporting dates, which approximated the respective revenue recognition dates are as follows:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables:				
0 – 30 days	2,027	1,501	1,227	2,175
31 – 60 days	1,120	745	1,047	669
61 – 90 days	565	433	540	541
Over 90 days	241	186	311	549
	<u>3,953</u>	<u>2,865</u>	<u>3,125</u>	<u>3,934</u>
Prepayments	51	113	308	498
Other receivables	237	243	186	290
	<u>288</u>	<u>356</u>	<u>494</u>	<u>788</u>
	<u><u>4,241</u></u>	<u><u>3,221</u></u>	<u><u>3,619</u></u>	<u><u>4,722</u></u>

Before accepting any new customers, Dongguan Hillview assesses the credit quality of each potential customer and defines a credit rating and limit for each customer.

Included in Dongguan Hillview's trade receivable balances are debtors with an aggregate carrying amount of RMB806,000, RMB619,000 and RMB851,000 and RMB1,090,000 as of 31 December 2010, 2011 and 2012, and 30 September 2013, respectively, which are past due at the end of the reporting period for which Dongguan Hillview has not provided for impairment loss as subsequent repayment was noted subsequent to the end of each reporting period. Dongguan Hillview does not hold any collateral over these balances.

Included in the trade receivables balance is the following past due debts for which no impairment loss has been provided:

Ageing of trade receivables which are past due but not impaired

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
61 – 90 days	565	433	540	541
Over 90 days	241	186	311	549
	<u>806</u>	<u>619</u>	<u>851</u>	<u>1,090</u>

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

18. ADVANCE TO (FROM) A SHAREHOLDER AND AMOUNTS DUE FROM (TO) RELATED COMPANIES

As at 31 December 2010, The amounts due from (to) related companies represent amounts due from (to) the subsidiaries of Hillview Development, the immediate holding company of Dongguan Hillview's joint control shareholder. As at 31 December 2011 and 2012 and 30 September 2013, the amount due from (to) related companies represent the amounts due from (to) the members of the HNA Group. Those amounts represent the payments received by or made by these related companies in relation to the sales of golf club membership and purchases of inventories on behalf of Dongguan Hillview. Amounts are unsecured, non-interest bearing and repayable on demand.

The advance to (from) a shareholder are non-trade in nature and the details are as follows:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing advance to a shareholder <i>(Note a)</i>	–	400,000	400,000	380,000
Interest receivables on interest-bearing advance to a shareholder <i>(Note a)</i>	–	9,100	44,915	67,931
Interest-free advance to a shareholder <i>(Note b)</i>	–	–	30,639	32,796
	–	409,100	475,554	480,727
Less: Advance to a shareholder repayable within one year shown under current assets <i>(Note a)</i>	–	–	(10,000)	(20,000)
Advance to a shareholder shown under non-current assets	–	409,100	465,554	460,727

Note a: As at 31 December 2011 and 2012 and 30 September 2013, the advance to a shareholder of RMB400,000,000, RMB400,000,000 and RMB380,000,000 respectively carried interest at 9% per annum. At 31 December 2012 and 30 September 2013, based on the repayment terms, RMB10,000,000 and RMB20,000,000 were classified as current assets and the remaining amounts of RMB390,000,000 and RMB360,000,000 were classified as non-current assets respectively. The advance to a shareholder was unsecured and repayable throughout the year ended 31 December 2012 and the nine months ended 30 September 2013 and fully repayable in 2017. The amounts of RMB9,100,000, RMB44,915,000 and RMB67,931,000 at 31 December 2011, 2012 and 30 September 2013 respectively represented the interest receivables arising from the interest-bearing advance.

Note b: The advance to a shareholder is unsecured, interest-free and has no fixed repayment terms. The directors of Dongguan Hillview considered the amount will not be settled within the next twelve months after the end of each reporting period, and thus classified it as non-current asset. During the year ended 31 December 2012, the principal amount of advance to a shareholder of RMB35,672,000 has been initially adjusted to its fair value. Fair value adjustment of RMB6,946,000 was regarded as deemed distribution which calculated at an interest rate of 9% per annum on the interest-free advance. The imputed interest income of RMB1,913,000, RMB1,194,000 (unaudited) and RMB2,157,000 were recognised as other income for the year ended 31 December 2012 and the nine months ended 30 September 2012 and 2013, respectively.

The advance from a shareholder of RMB100,000,000 at 31 December 2010 was unsecured, interest-free and repaid in 2011.

APPENDIX IIB ACCOUNTANTS' REPORT ON DONGGUAN HILLVIEW

19. BANK BALANCES AND CASH

The bank balances carry interest at market rates which are as follows:

	2010	At 31 December 2011	2012	At 30 September 2013
Range of interest rate per annum	0.36%	0.36 – 0.5%	0.35 – 0.5%	0.35%

20. TRADE AND OTHER PAYABLES AND ACCRUALS

The aged credit period on trade purchases is 30 to 60 days.

Ageing analysis of Dongguan Hillview's trade payables based on invoice dates at the respective reporting dates is as follows:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables:				
0 – 30 days	1,123	1,594	1,428	4,240
31 – 60 days	1,409	3,803	1,014	1,087
61 – 90 days	10	1,052	28	436
91 – 180 days	48	–	12	427
Over 180 days	216	100	32	20
	<u>2,806</u>	<u>6,549</u>	<u>2,514</u>	<u>6,210</u>
Other payables	25,933	19,431	13,640	15,603
Accruals	728	720	780	2,305
	<u>26,661</u>	<u>20,151</u>	<u>14,420</u>	<u>17,908</u>
	<u>29,467</u>	<u>26,700</u>	<u>16,934</u>	<u>24,118</u>

21. BANK BORROWINGS

The variable-rate bank borrowings are repayable as follows:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	10,000	10,000	21,000
In the second year	–	10,000	20,000	21,000
In the third to fifth years inclusive	–	60,000	60,000	77,500
More than five years	–	320,000	300,000	280,000
	–	<u>400,000</u>	<u>390,000</u>	<u>399,500</u>
Less: Amount due within one year shown under current liabilities	–	(10,000)	(10,000)	(21,000)
Amount shown under non-current liabilities	–	<u>390,000</u>	<u>380,000</u>	<u>378,500</u>

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The variable-rate bank borrowings were secured by certain assets of Dongguan Hillview. Details are set out in note 28. The variable-rate bank borrowings carry interest at the Lending Rate.

The effective interest rates (which are also equal to contracted interest rates) of Dongguan Hillview's borrowings are as follow:

	2010	At 31 December 2011	2012	At 30 September 2013
Variable-rate borrowings	–	8.46%	8.46%	7.92%
	–	8.46%	8.46%	7.92%

22. DEFERRED TAX LIABILITIES (ASSETS)

For the purpose of presentation in the statements of financial position, certain deferred assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	(58,644)	(59,813)	(63,859)	(63,868)
Deferred tax liabilities	17,898	19,023	20,148	20,992
	(40,746)	(40,790)	(43,711)	(42,876)

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

	Accelerated tax depreciation	Deferred revenue	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010	16,773	(57,529)	(40,756)
Charge (credit) to profit or loss	1,125	(1,115)	10
At 31 December 2010	17,898	(58,644)	(40,746)
Charge (credit) to profit or loss	1,125	(1,169)	(44)
At 31 December 2011	19,023	(59,813)	(40,790)
Charge (credit) to profit or loss	1,125	(4,046)	(2,921)
At 31 December 2012	20,148	(63,859)	(43,711)
Charge (credit) to profit or loss	844	(9)	835
At 30 September 2013	20,992	(63,868)	(42,876)

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23. DEFERRED REVENUE

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Arising from initial membership fee	255,640	261,264	261,557	258,983
Analysed for reporting purposes as:				
Current liabilities	20,393	22,038	24,786	26,945
Non-current liabilities	235,247	239,226	236,771	232,038
	<u>255,640</u>	<u>261,264</u>	<u>261,557</u>	<u>258,983</u>

24. REGISTERED CAPITAL

	Amount USD
Paid-in registered capital	34,060,000
	<i>RMB'000</i>
Shown in the Financial Information as at 31 December 2010, 2011, 2012 and 30 September 2013	<u>285,894</u>

25. OPERATING LEASE COMMITMENTS

Dongguan Hillview as lessor

At the respective reporting dates, Dongguan Hillview had contracted with tenants for the following future minimum lease payments:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	838	817	1,145	940
In the second to fifth year inclusive	2,821	2,508	2,531	2,291
After fifth year	3,550	2,855	2,294	1,727
	<u>7,209</u>	<u>6,180</u>	<u>5,970</u>	<u>4,958</u>

The leases are generally negotiated for a lease term from 3 to 18 years.

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26. CAPITAL COMMITMENTS

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	–	9,261	194	2,084
	–	9,261	194	2,084

27. RETIREMENT BENEFIT PLANS

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. Dongguan Hillview is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of Dongguan Hillview with respect to the retirement benefit schemes is to make the required contributions under the schemes.

28. PLEDGE OF ASSETS

At the end of the reporting period, assets pledged to banks to secure banking facilities and borrowings granted to Dongguan Hillview were as follows:

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	–	97,409	94,783	92,816
Prepaid lease payments	–	162,643	157,560	153,748
	–	162,643	157,560	153,748

29. CONTINGENT LIABILITIES

	2010	At 31 December 2011	2012	At 30 September 2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee given to banks, in respect of banking facilities to a related party				
– amount that could be required to be paid if the guarantee was called upon in entirety	–	–	–	5,000
– amount utilised	–	–	–	5,000
	–	–	–	5,000

During the nine months ended 30 September 2013, Dongguan Hillview entered into a financial guarantee arrangement with a related party whereby Dongguan Hillview has provided guarantee to banks in respect of a related party's bank borrowings.

Fair value of the financial guarantee at initial recognition amounting to RMB744,000 was evaluated by an independent valuer, Messrs. Vigers Appraisal and Consulting Limited and it was recognised as deemed distribution arising from the financial guarantee contract to the related company which is a subsidiary of a shareholder. Financial guarantee income of RMB416,000 was recognised in profit or loss during the nine months ended 30 September 2013 and the financial guarantee liability as at 30 September 2013 amounting to RMB328,000 represents the amount initially recognised, less cumulative amortisation in the statements of financial position.

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30. RELATED PARTY DISCLOSURES

(I) Transactions

Dongguan Hillview had the following transactions with related parties during the Relevant Periods:

Name of related party	Nature of transaction	Year ended 31 December			Nine months ended 30 September	
		2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>
東莞御景灣酒店(<i>Note a</i>)	Washing service expenses	240	269	260	211	414
東莞市峰景文化廣場有限公司(<i>Note a</i>)	Interest expense	661	-	-	-	-
HNA Huanan (<i>Note b</i>)	Interest income	-	9,100	35,815	26,942	26,161
HNA Huanan (<i>Note b</i>)	Imputed interest income	-	-	1,913	1,194	2,157
		-	-	1,913	1,194	2,157

Notes:

- (a) Prior to 17 May 2012: a subsidiary of a shareholder; subsequent to Leader Well's acquisition (see note 1 for details): a fellow subsidiary of Dongguan Hillview
- (b) A shareholder of Dongguan Hillview

(II) Balances

Details of balances with related parties are set out in note 18. In addition, Dongguan Hillview entered into a financial guarantee arrangement with a related party whereby Dongguan Hillview has provided guarantee to banks in respect of a related party's bank borrowings as at 30 September 2013.

(III) Compensation of key management personnel

The directors of Dongguan Hillview are identified as key management members of Dongguan Hillview, and their compensation during the Relevant Periods is set out in note 11.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Dongguan Hillview in respect of any period subsequent 30 September 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
 Certified Public Accountants
 Hong Kong

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group (“Unaudited Pro Forma Financial Information”), being the Company and its subsidiaries (collectively, the “Group”) together with Hillview Golf Development Company Limited (“Hillview”), as if the proposed acquisition of Hillview (the “Transaction”) had been completed on 30 June 2013. Details of the Transaction are set out in the section headed “Letter from the Board” contained in this Circular.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), for the purpose of illustrating the effect of the Transaction pursuant to the terms of the sale and purchase agreement dated 17 January 2014 (the “SPA”) entered into among the Company, San Tai Investment Company Limited, an indirect wholly-owned subsidiary of the Company and Leader Well Management Limited (the “Vendor”). The completion of the Transaction is conditional upon, amongst other conditions, the completion of amendment of relevant memorandum and articles of association of Dongguan Hillview Golf Company Limited (“Dongguan Hillview”, currently a 65% owned joint venture of Hillview), such that Dongguan Hillview will become a subsidiary of Hillview.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated condensed statement of financial position of the Group as at 30 June 2013, which has been extracted from the Company’s published interim financial report for the six months ended 30 June 2013 and the statement of financial position of Hillview as at 30 September 2013 as extracted from the accountants’ report of Hillview thereon set out in Appendix IIA to this Circular, and after making pro forma adjustments relating to the Transaction that are (i) directly attributable to the Transaction, and (ii) factually supportable, as if the Transaction were been completed on 30 June 2013.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared by the directors of the Company to provide information of the Group upon completion of the Transaction. It is prepared for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group following the completion of the Transaction or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the interim financial report of the Company for the six months ended 30 June 2013 and other financial information included elsewhere in this Circular.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group		Hillview		Pro-forma adjustments		Other pro-forma adjustments	Note	Pro forma Enlarged Group
	as at 30 June 2013		as at 30 September 2013		relating to Dongguan Hillview				
	HK\$'000	RMB'000	HK\$'000		RMB'000	HK\$'000			HK\$'000
			(Note a)		(Note b)	(Note a)			
Non-current assets									
Property, plant and equipment	12,001	-	-	168,867	213,515	98,054	(d)		323,570
Prepaid lease payments	-	-	-	148,665	187,972				187,972
Deposit paid for acquisition of property, plant and equipment	-	-	-	1,272	1,608				1,608
Intangible assets	3,927	-	-			1,171,206	(d)		1,175,133
Other receivable	37,798	-	-						37,798
Investments in associates	2,529	-	-						2,529
Interest in a joint venture	-	185,831	234,965			(234,965)	(e)		-
Available-for-sale investments	7,568	-	-						7,568
Club debentures	700	-	-						700
Advance to a shareholder	-	-	-	460,727	582,543				582,543
Deferred tax assets	-	-	-	42,876	54,213				54,213
	<u>64,523</u>	<u>185,831</u>	<u>234,965</u>						<u>2,373,634</u>
Current assets									
Prepaid lease payments	-	-	-	5,083	6,427				6,427
Inventories	11,862	-	-	5,848	7,394				19,256
Trade and bills receivables	73,079	-	-	3,934	4,975				78,054
Prepayments, deposits and other receivables	109,324	-	-	788	995				110,319
Loan to an investee	82,186	-	-						82,186
Amounts due from customers for contract work	358,365	-	-						358,365
Amounts due from related companies	-	-	-	60,642	76,676				76,676
Advance to a shareholder	-	-	-	20,000	25,288				25,288
Tax recoverable	53	-	-						53
Pledged bank deposits	110,819	-	-						110,819
Bank balances and cash	26,742	-	-	9,936	12,563				39,305
	<u>772,430</u>	<u>-</u>	<u>-</u>						<u>906,748</u>
Disposal groups classified as held-for-sale	1,429,116	-	-						1,429,116
	<u>2,201,546</u>	<u>-</u>	<u>-</u>						<u>2,335,864</u>

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	The Group as at 30 June 2013	Hillview as at 30 September 2013		Pro-forma adjustments relating to Dongguan Hillview		Other pro-forma adjustments	Note	Pro forma Enlarged Group
	HK\$'000	RMB'000	HK\$'000 (Note a)	RMB'000 (Note b)	HK\$'000 (Note a)			
Current liabilities								
Trade and bills payables	120,812	-	-	6,210	7,852			128,664
Other payables, deposits received and accruals	108,517	-	-	17,908	22,643	5,349	(f)	136,509
Deferred revenue	-	-	-	26,945	34,069			34,069
Amounts due to customers to contract work	287	-	-					287
Amounts due to related companies		72	91	5,604	7,086			7,177
Convertible loan notes	236,253	-	-					236,253
Embedded derivative components of convertible loan notes	25,296	-	-					25,296
Tax liabilities	8,095	-	-	8,629	10,911			19,006
Borrowings – due within one year	219,779	-	-	21,000	26,552			246,331
Financial guarantee liabilities	7,058	-	-	328	415			7,473
	726,097	72	91					841,065
Liabilities associated with disposal groups classified as held-for-sale	522,727	-	-					522,727
	1,248,824	72	91					1,363,792
Net current assets (liabilities)	952,722	(72)	(91)					972,072
Total assets less current liabilities	<u>1,017,245</u>	<u>185,759</u>	<u>234,874</u>					<u>3,345,706</u>
Non-current liabilities								
Deferred revenue	-	-	-	232,038	293,389			293,389
Bank borrowings	-	-	-	378,500	478,575			478,575
Deferred tax liabilities	-	-	-			317,315	(d)	317,315
Promissory note	-	-	-			582,761	(c)	582,761
	-	-	-					1,672,040
Net assets	<u>1,017,245</u>	<u>185,759</u>	<u>234,874</u>					<u>1,673,666</u>
Capital and reserves								
Share capital	673,035	-	-					673,035
Reserves	249,824	185,759	234,874			226,152 (234,874) (5,349)	(d) (e) (f)	470,627
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal groups classified as held-for-sale	15,478	-	-					15,478
Equity attributable to owners of the Company	938,337	185,759	234,874					1,159,140
Non-controlling interests	78,908	-	-			435,618	(d)	514,526
Total equity	<u>1,017,245</u>	<u>185,759</u>	<u>234,874</u>					<u>1,673,666</u>

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

- a. For the purpose of this Unaudited Pro Forma Financial Information, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.2644 (closing rate on 30 June 2013). The exchange rate is quoted from Bank of China.
- b. The adjustments represent the consolidation of assets and liabilities of Dongguan Hillview, assuming the Transaction had taken place on 30 June 2013 and the amendment of the relevant memorandum and articles of association of Dongguan Hillview had been completed, such that Dongguan Hillview had become a subsidiary of Hillview. The assets and liabilities of Dongguan Hillview as at 30 September 2013 are extracted from the statement of financial position as at 30 September 2013 included in the accountants' report of Dongguan Hillview as set out in Appendix IIB to this Circular.
- c. Pursuant to the SPA, the total consideration shall be satisfied by the issuance of a promissory note with a principal amount of HK\$743.1 million (the "Promissory Note"), which is non-interest bearing and will be matured on the third anniversary of the issue date. For the purpose of this Unaudited Proforma Financial Information, the assumed fair value of the Promissory Note is estimated to be approximately HK\$582,761,000. The assumed fair value has been arrived at using effective interest method by discounting future cash flows at an interest rate of 8.44% per annum. On date of completion of the Transaction (the "Completion Date"), the fair value of the Promissory Note will be reassessed and is therefore subject to change.
- d. The Transaction will be accounted for under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the directors' estimates of the fair value of the identifiable assets and liabilities of Hillview and Dongguan Hillview.

	<i>HK\$'000</i>
Assumed fair value of consideration (<i>note c</i>)	582,761
Add: Non-controlling interest (35% of assumed fair value of the net identifiable assets of Dongguan Hillview)	435,618
Less: Net identifiable liabilities of Hillview excluding the interest in a joint venture (<i>note e</i>)	91
Assumed fair value of the net identifiable assets of Dongguan Hillview	(1,244,622)
	226,152
Excess of (i) the assumed fair value of Hillview and Dongguan Hillview excluding the interest in a joint venture over (ii) the assumed fair value of consideration and non-controlling interests (the "Excess Amount")	226,152

The Excess Amount amounted to HK\$226,152,000 is credited to equity as a capital contribution from a substantial shareholder of the Company because the Vendor is a subsidiary of the substantial shareholder.

The assumed fair values of property, plant and equipment and intangible assets (reflecting a contract based intangible assets in respect of the leasehold land) are based on directors' estimation with reference to a valuation report issued by Vigers Appraisal & Consulting Limited (the "Valuation Report"). As set out in the Valuation Report, the market value of properties and leasehold land are approximately RMB229,500,000 (equivalent to approximately HK\$290,180,000) and RMB1,080,042,000 (equivalent to approximately HK\$1,365,605,000) respectively on the measurement date of 31 December 2013.

An amount of RMB77,550,000 (equivalent to approximately HK\$98,054,000), being the difference between the market value of properties of RMB229,500,000 (equivalent to approximately HK\$290,180,000) and the carrying amount of the properties (excluding plant and equipment and motor vehicles) of RMB151,950,000 (equivalent to approximately HK\$192,126,000) shown in the statement of financial position as at 30 September 2013 included in the accountants' report of Dongguan Hillview as set out in Appendix IIB to this Circular is adjusted as fair value increase of property, plant and equipment.

Since Dongguan Hillview's interest in the leasehold land (accounted for as prepaid lease payment) constitutes an operating lease arrangement under HKAS 17 Leases, the excess of the market price over the carrying amount of the leasehold land represents the right to a favourable lease contract comparing to market terms. The difference amounted to RMB926,294,000 (equivalent to approximately HK\$1,171,206,000), being the excess of the market value of leasehold land of RMB1,080,042,000 (equivalent to

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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approximately HK\$1,365,605,000) over the carrying amount of the leasehold land of RMB153,748,000 (equivalent to approximately HK\$194,399,000) shown in the statement of financial position as at 30 September 2013 included in the accountants' report of Dongguan Hillview as set out in Appendix IIB to this Circular is, therefore, recognised as a separate contract based intangible asset. In addition, corresponding deferred tax amounted to RMB250,961,000 (equivalent to approximately HK\$317,315,000), estimated using the statutory tax rate of Dongguan Hillview of 25% is adjusted to deferred tax liability.

The assumed fair value of the net identifiable assets of Dongguan Hillview of RMB984,359,000 (equivalent to approximately HK\$1,244,622,000) was derived at after taking into account of i) the carrying amount of net assets of Dongguan Hillview amounted to RMB231,476,000 (equivalent to approximately HK\$292,677,000) as disclosed in the statement of financial position as at 30 September 2013 included in the accountants' report of Dongguan Hillview as set out in Appendix IIB to this Circular; ii) fair value increase of property, plant and equipment of RMB77,550,000 (equivalent to approximately HK\$98,054,000); iii) fair value of intangible assets of RMB926,294,000 (equivalent to approximately HK\$1,171,206,000) and iv) deferred tax liabilities arising from the fair value increase of properties and recognition of intangible assets of RMB250,961,000 (equivalent to approximately HK\$317,315,000).

In the absence of a formal valuation for other assets and liabilities of Hillview and Dongguan Hillview, the directors of the Company have assumed the fair value of the identifiable assets and liabilities (other than property, plant and equipment and contract based intangible assets) of Hillview and Dongguan Hillview to be the same as their carrying amounts.

The fair values of the identifiable assets and liabilities (including but not limited to property, plant and equipment, contract based intangible assets, financial guarantee liabilities, deferred revenue and inventories) of Hillview and Dongguan Hillview are subject to change upon the finalisation of the valuation for the Completion Date (the "Final Valuation"), which may be substantially different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information. As set out in note c above, the fair value of the consideration which is to be satisfied by the issuance of the Promissory Note will also be reassessed on Completion Date.

Since the estimated amount of the consideration and the estimated amounts of the identifiable assets and liabilities used in the preparation of this Pro Forma Financial Information may be substantially different from their fair values on the Completion Date, the Excess Amount and non-controlling interests to be recognised in connection with the Transaction on Completion Date could be materially different from the estimated amounts stated herein. Should the fair value of the consideration is greater than the aggregate fair value of the identifiable assets and liabilities of Hillview and Dongguan Hillview upon finalisation of the Final Valuation, goodwill will be resulted and subject to impairment assessment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA.

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- e. The adjustments represent the elimination of (i) the interest in a joint venture amounting to RMB185,831,000 (equivalent to approximately HK\$234,965,000) and (ii) pre-acquisition reserves amounting to RMB185,759,000 (equivalent to HK\$234,874,000) of Hillview upon consolidation. The difference between the above elimination entries amounted to RMB72,000 (equivalent to approximately HK\$91,000) represents the net identifiable liabilities of Hillview excluding the interest in a joint venture of RMB185,831,000 (equivalent to approximately HK\$234,965,000)

- f. The adjustment represents accrual for estimated acquisition-related costs of approximately HK\$5,349,000 which would be expensed in profit or loss upon completion of the Transaction. This adjustment will not have continuing profit or loss effect on the Enlarged Group.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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**(4) INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shougang Concord Technology Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2013 and related notes (the “Pro Forma Financial Information”) as set out in Appendix III of the circular issued by the Company dated 26 March 2014 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are set out in Appendix III of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Hillview Golf Development Company Limited (the “Transaction”) on the Group’s financial position as at 30 June 2013 as if the Transaction had taken place on 30 June 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months ended 30 June 2013, on which a review report has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

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

Reporting Accountant’s Responsibilities

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

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 would have been as presented.

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

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

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

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

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

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Opinion

In our opinion:

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2014

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company for the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2013.

Operating results

The Target Company owned 65% interest in Dongguan Hillview since 26 June 2011, which involved net loss amounted to approximately RMB16,000, RMB2,000, RMB6,000 and RMB4,000 respectively for the years ended 31 December 2010, 2011 and 2012 and nine months ended 30 September 2013.

Liquidity and financial resources

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Company had no material capital commitment.

Capital structure

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the total liabilities of the Target Company amounted to approximately RMB60,000, RMB62,000, RMB68,000 and RMB72,000 respectively and the capital and reserve of the Target Company amounted to approximately (RMB60,000), RMB185,769,000, RMB185,763,000 and RMB185,759,000 respectively. The gearing ratio (total liabilities divided by total equity) was approximately 100%, 0.03%, 0.03% and 0.03% respectively as at 31 December 2010, 2011 and 2012 and 30 September 2013.

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Company did not maintain any bank borrowing.

Segment Information

The Target Company is an investment holding company. The operation of the Target Company represents a single operating and reportable segment of the Target Company.

Employees and remuneration policies

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Company did not have any employee.

Contingent liabilities

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Company did not have any contingent liabilities.

Foreign exchange exposure

The Target Company was an investment holding company and owned 65% of Dongguan Hillview as at the Latest Practicable Date. As substantially all of Dongguan Hillview's revenue, operating costs and expenses are denominated in Renminbi, the Target Company's operation is not exposed to significant foreign currency risk.

Acquisition or disposal of subsidiary or associated company

On 26 June 2011, 65% of Dongguan Hillview was transferred to the Target Company at a consideration of US\$1, which was regarded as a deemed capital contribution from the shareholder of the Target Company.

Pledge of assets

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the Target Company did not have pledged of assets.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF DONGGUAN HILLVIEW

Set out below is the management discussion and analysis on Dongguan Hillview for the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2013.

Operating results*Revenue*

For the year ended 31 December 2011, the revenue of Dongguan Hillview amounted to approximately RMB129.0 million, with an increase of approximately RMB7.9 million or 6.5% compared to the year ended 31 December 2010, which resulted from increase in revenue from operations of golf club and hotel and leisure services amounted to approximately RMB3.9 million and RMB4.0 million respectively. In 2011, with the promotion of Dongguan Hillview, the revenue from conference, wedding and other large events increased as compared to 2010 and also leads to increase in hotel occupancy rate from 46.1% in 2010 to 55.6% in 2011.

For the year ended 31 December 2012, the revenue of Dongguan Hillview amounted to approximately RMB123.9 million, with a decrease of approximately RMB5.1 million or 4.0% compared to the year ended 31 December 2011, which arisen from decrease in revenue from operations of golf club of approximately RMB5.2 million, as one 9-hole golf course was not occupied until completion of fairway renovation project in September 2012. However, the other recreational facilities enable Dongguan Hillview to remain hotel occupancy rate at 54.1% in 2012 from 55.6% in 2011.

For the nine months ended 30 September 2013, the revenue of Dongguan Hillview increased from approximately RMB89.0 million for the same period in 2012 to approximately RMB103.2 million attributable to increase in revenue from the operations of golf club by approximately RMB14.1 million, because Dongguan Hillview raised the price level on operations of golf club since August 2012, including caddy fee and golf buggy fee, etc. For the nine months ended 30 September 2013, the hotel occupancy rate slightly increased to 53.3% from 51.2% for the same period in 2012.

Direct operating expenses

In line with increase in revenue of Dongguan Hillview, the direct operating expenses increased from approximately RMB84.3 million for the year ended 31 December 2010 to approximately RMB94.9 million for the year ended 31 December 2011, with an increase of approximately RMB10.6 million or 12.6% compared to the year ended 31 December 2010. The increase was attributable to the increase in direct salary cost of RMB4.8 million, repair and maintenance cost of RMB1.6 million and business and other taxes of RMB1.9 million. During the year ended 31 December 2011, both the salary level and staff number of Dongguan Hillview increased and led to the increase in direct salary cost. The increase in repair and maintenance cost was resulted from repair and maintenance on the turf maintenance machineries of Dongguan Hillview. In line with the increase in urban maintenance and construction tax since December 2010 and increase in revenue from 2010 to 2011, the business and other taxes also increased in 2011.

For the year ended 31 December 2012, the direct operating expenses of Dongguan Hillview was amounted to approximately RMB89.7 million, with a decrease of approximately RMB5.2 million or 5.5% compared to the year ended 31 December 2011, which arisen from decrease in revenue from operations of golf club of approximately RMB5.2 million. The business and other taxes dropped for RMB2.2 million since the business tax rate on operations of golf club decreased from 10% to 5% since July 2012. In additions, Dongguan Hillview acquired 24 sets of golf buggy and 15 sets of turf maintenance machinery and therefore, the repair and maintenance cost of Dongguan Hillview decreased by RMB1.9 million. Due to adjustment on caterer varieties, the cost on food and beverage decreased by RMB1.0 million.

For the nine months ended 30 September 2013, the direct operating expenses of Dongguan Hillview increased from approximately RMB66.2 million for the same period in last year to approximately RMB69.4 million because revenue from the operations of golf club increased by approximately RMB14.1 million. Also, the additions of 24 sets of golf buggy and 15 sets of turf maintenance machineries has resulted in increase in depreciation charge of RMB3.9 million as compared to the same period in 2012.

Gross profit

Notwithstanding the increase in revenue of Dongguan Hillview during the year ended 31 December 2011, the gross profit and gross profit ratio of Dongguan Hillview dropped from approximately RMB36.8 million and 30.4% for the year ended 31 December 2010, respectively to approximately RMB34.1 million and 26.4% for the year ended 31 December 2011, respectively, which was resulted from the increase in direct salary cost of RMB4.8 million caused by increase

of salary level and staff number of Dongguan Hillview and the increase in repair and maintenance cost of RMB1.6 million caused by repair and maintenance on the turf maintenance machineries of Dongguan Hillview and from the increase in urban maintenance and construction tax since December 2010.

The gross profit of Dongguan Hillview for the year ended 31 December 2012 increased to approximately RMB34.2 million, with a slightly increase of approximately RMB0.1 million or 4.4% compared to 2011, respectively. The gross profit margin rebounded from 26.4% for the year ended 31 December 2011 to approximately 27.6% for the year ended 31 December 2012, as the business and other taxes dropped for RMB2.2 million since the business tax rate on operations of golf club decreased from 10% to 5% since July 2012 and the repair and maintenance cost of Dongguan Hillview decreased by RMB1.9 million upon acquisition of new golf buggies and turf maintenance machineries in 2012.

The gross profit and gross profit ratio of Dongguan Hillview for the nine months ended 30 September 2013 was approximately RMB33.7 million and 32.7%, respectively, with an increase of approximately RMB11.0 million and 7.1% compared to same period in 2012, respectively, because Dongguan Hillview raised the price level on operations of golf club since August 2012.

Other income

Other income of Dongguan Hillview for the year ended 31 December 2010 amounted to approximately RMB1.4 million and increase substantially to approximately RMB10.7 million and approximately RMB39.0 million respectively for the year ended 31 December 2011 and 2012, which were arisen from interest income for a loan advanced to a shareholder in September 2011, with an interest rate of 9% per annum.

For the nine months ended 30 September 2013, Dongguan Hillview continued to generate interest income from loan advance to a shareholder and therefore generated other income of approximately RMB30.1 million, representing an increase of RMB1.0 million, or 3.4% as compared to the same period in 2012.

Selling expenses

In line with the increase in revenue of Dongguan Hillview, the selling expenses increased from approximately RMB1.4 million for the year ended 31 December 2010 to approximately RMB1.6 million for the year ended 31 December 2011. During the year ended 31 December 2012, the selling expenses of Dongguan Hillview remained at approximately RMB1.6 million as the cost on promotion activities did not reduce from last year.

The selling expenses for the nine months ended 30 September 2013 remains at approximately RMB1.3 million compared to the same period in 2012.

Administrative expenses

Administrative expenses of Dongguan Hillview increased from approximately RMB16.3 million for the year ended 31 December 2010 to approximately RMB22.4 million for the year ended 31 December 2011. Such increase in administrative expenses mainly included increase in staff wages, legal and professional fee, and business tax on interest income. During the year ended 31 December 2012, the administrative expenses slightly increased to approximately RMB22.9 million.

Administrative expenses of Dongguan Hillview for the nine months ended 30 September 2013 slightly increase from approximately RMB18.7 million for the same period in 2012 to approximately RMB19.5 million.

Finance cost

Finance cost of Dongguan Hillview increased from approximately RMB0.7 million for the year ended 31 December 2010 to approximately RMB8.6 million for the year ended 31 December 2011 and further increased to approximately RMB33.8 million for the year ended 31 December 2012, which mainly arisen from interest expense on secured bank borrowing advanced in 2011. It leads to the finance cost for the nine months ended 30 September 2013 amounted to approximately RMB23.8 million.

Income tax expense

Income tax expense of Dongguan Hillview consist of enterprise income tax in the PRC and deferred tax. Dongguan Hillview is subject to an enterprise income tax rate of 25%. Excluding the tax effect from non-deductible expenses and non-taxable income, the income tax expense was in line with profit before tax for corresponding years/period. The effective tax rate is 22.7%, 26.4%, 21.0% and 22.8% for the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2013 respectively.

Liquidity and financial resources

As at 31 December 2011, the cash and bank balances of Dongguan Hillview amounted to approximately RMB35.5 million, as compared to approximately RMB122.1 million as at 31 December 2010, decreased by RMB86.6 million or 70.9%. It was arisen from net cash advanced to a shareholder of RMB500 million, off-set with new bank borrowing advanced of RMB400 million.

As at 31 December 2012, the cash and bank balances of Dongguan Hillview further decreased to approximately RMB5.4 million, as compared to approximately RMB35.5 million as at 31 December 2011, decreased by approximately RMB30.1 million or 84.8%, which mainly resulted from interest paid of approximately RMB33.8 million.

As at 30 September 2013, the cash and bank balances of Dongguan Hillview increased from approximately RMB5.4 million as at 31 December 2012 to approximately RMB9.9 million as at 30 September 2013, which resulted from net cash from operating activities of approximately RMB2.6 million and net cash from investing activities of approximately RMB16.2 million, off-set with net cash used in financing activities of approximately RMB14.3 million.

As at 31 December 2011 and 2012 and 30 September 2013, Dongguan Hillview had capital commitment of approximately RMB9.3 million, RMB194,000 and RMB2.1 million for acquisition of property, plant and equipment.

Capital structure

As at 31 December 2010, 2011 and 2012 and 30 September 2013, the total liabilities of Dongguan Hillview amounted to approximately RMB386.1 million, RMB688.0 million, RMB696.0 million and RMB697.2 million respectively and the capital and reserve of Dongguan Hillview amounted to approximately RMB203.6 million, RMB212.2 million, RMB217.0 million and RMB231.5 million respectively. The gearing ratio (total liabilities divided by total equity) was approximately 189.6%, 324.2%, 320.7% and 301.2% as at 31 December 2010, 2011 and 2012 and 30 September 2013 respectively.

As at 31 December 2010, Dongguan Hillview did not maintain any bank borrowing. As at 31 December 2011 and 2012 and 30 September 2013, Dongguan Hillview's bank loans amounted to approximately RMB400.0 million, RMB390.0 million and RMB399.5 million respectively, of which bank loans repayable within one year amounted to approximately RMB10.0 million, RMB10.0 million and RMB21.0 million respectively and bank loans repayable over one year amounted to RMB390.0 million, RMB380.0 million and RMB378.5 million respectively. The bank borrowing was wholly secured by the leasehold land and buildings of Dongguan Hillview.

Segment Information

Dongguan Hillview is principally engaged in operations of golf club and provision of hotel and leisure services.

Employees and remuneration policies

As at 31 December 2010, 2011 and 2012 and 30 September 2013, Dongguan Hillview has a total of 762, 799, 726 and 742 employees respectively. Remuneration for employees is determined in accordance with performance, professional experiences and the prevailing market conditions. Management reviews Dongguan Hillview's employee remuneration policy and arrangement on a regular basis. Apart from pension, Dongguan Hillview also grants discretionary bonus to certain employees as awards in accordance with individual performance.

Contingent liabilities

As at 31 December 2010, 2011 and 2012, Dongguan Hillview did not have any contingent liabilities. As at 30 September 2013, Dongguan Hillview provided guarantee given to banks, in respect of banking facilities utilised by a related party amounted to RMB5.0 million, Dongguan Hillview is liable to fully paid the bank advance upon non-fulfillment of bank covenant.

Foreign exchange exposure

As substantially all of Dongguan Hillview's revenue, operating costs and expenses are denominated in Renminbi, Dongguan Hillview's operation is not exposed to significant foreign currency risk.

Material acquisition, disposals, significant investment and future plans of material investments

For the years ended 31 December 2010, 2011 and 2012 and for the nine months ended 30 September 2013, Dongguan Hillview did not have material acquisition, disposals, significant investment and future plans of material investments.

Pledge of assets

As at 31 December 2011 and 2012 and 30 September 2013, the buildings and prepaid lease payments of Dongguan Hillview amounted to approximately RMB97.4 million, RMB94.8 million and RMB92.8 million, and RMB162.6 million, RMB157.6 million and RMB153.7 million respectively were pledged to banks to secured banking facilities and borrowing granted to Dongguan Hillview.

The following is the text of letter and valuation certificate, prepared for the purpose of incorporation in this circular, issued by Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with their valuation as at 31 December 2013 of the property interests held by Dongguan Hillview in the People's Republic of China (the "PRC").

**Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants**

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



26 March 2014

The Directors
Shougang Concord Technology Holdings Limited
Units 2606A-2608
26th Floor
Island Place Tower
510 King's Road
North Point
Hong Kong

Case Ref: RHKK/TLHY/KX/VA18896-2014

Dear Sirs,

Re: Valuation of property in Feng Jing Golf & Resort Club, Shi Jing, Dongguan City, Guangdong Province, the PRC

In accordance with the instructions from Shougang Concord Technology Holdings Limited (hereafter referred to as the "Company") for us to value the property interests to be acquired by the Company and its subsidiaries (together referred to as the "Group") in the PRC, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at the 31 December 2013 ("date of valuation") for the purpose of incorporation into the circular issued by the Company on the date hereof.

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

Having considered the general and inherent characteristics of the property, we are of the opinion that the property is of specialised nature and it is impracticable to ascertain the indication of the value of the property on market basis. We have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the properties and the buildings and structures standing on the lands respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Dongguan. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparables sales. The approach is subject to adequate potential profitability of the business.

This investigation is concerned solely with the value of the property. Excluded from this investigation are machinery, equipment, supplies, inventories, materials on hand, spare parts and all other tangible assets of current nature and intangible assets that might exist. Our opinions of value are not related to the earning capacity of the business. It is assumed that prospective earnings are adequate to support the concluded value of the property plus the value of other assets not included in this valuation, and sufficient net working capital. This report does not attempt to arrive at the value of the property as a total business entity.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

The land portion of the property is freely transferable together with the residual term of its land use rights to any third party (both overseas and domestic) in the open market at no extra land use rights grant premium and other onerous charges payable to the government authorities and with the benefit of vacant possession.

We have not caused title searches to be made for the property interests at the relevant government bureaus in the PRC for properties located in the PRC. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion dated 26 March 2014 (the “PRC Legal Opinion”) prepared by the Company’s legal adviser as to PRC laws, Grandall Law Firm (Shanghai) (the “PRC Legal Adviser”) regarding the title to and the interest in the property interests.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the property, in the course of our inspection, we did not note any serious defects. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property but have assumed that the site areas shown on the documents and official site plans handed to us are correct nor have we conducted any investigation on site to determine the suitability of ground conditions and services etc. for any future development, nor have we undertaken any ecological or environmental surveys. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. No on-site measurements have been taken.

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

In valuing the property interest, we have complied with all the requirements set out in accordance with the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation – Professional Standards 2012 (8th Edition) published by the Royal Institution of Chartered Surveyors (the “RICS”) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate adopted in valuing the property interests in the PRC as at 31 December 2013 were HK\$1: RMB0.78177. There has been no significant fluctuation in the exchange rate for this currency against Hong Kong dollars between that date and the date of this letter.

We enclose herewith a valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty five years' experience in undertaking valuations of properties in Hong Kong and has over twenty two years' experience in valuations of properties in the PRC, Taiwan, Macau and the Asia-Pacific region. Raymond joined Vigers Appraisal & Consulting Limited in 1989.

VALUATION CERTIFICATE

Property held for owner occupation

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2013
The property in Feng Jing Golf & Resort Club, Shi Jing, Dongguan City, Guangdong Province, the PRC	The property is a golf and resort club comprises a land parcel together with two 18-hole golf courses, a hotel, 3 blocks of villa hotels, a club house, a training court (temporary club house), 5 blocks of staff quarters, a staff canteen and a repair workshop completed in between 1998 and 2005 erected thereon.	A portion of the training court (temporary club house) with gross floor area of approximately 995 sq.m. is leased for a term of 18 years expiring on 31 December 2021. The rent started from RMB30 psm per month for the first two years between January 2004 and December 2005 and increase 5% every 3 years thereafter.	RMB1,310,000,000 (equivalent to approximately HK\$1,675,685,000) (See Note 8 below)
	The site area of the property is approximately 1,000,039 square metre ("sq.m.") and total gross floor area of the property is approximately 56,334.18 sq.m. of which 41,574.18 sq.m. has been obtained building ownership certificates, whilst the remaining 14,760 sq.m. has not yet been obtained the building ownership certificates.	The property was operated by Dongguan Hillview Golf Company Limited*東莞峰景高爾夫有限公司 for golf and resort club use.	
	The land use rights of the property were granted for a term of 50 years expiring on May 2043 for golf course and ancillary facilities use.		

Notes:

1. Pursuant to a state-owned land use rights certificate (document number: Dong Fu Guo Yong (1993) Zi Di Te No. 214), the land use rights of the property with a site area of approximately 1,000,039 sq.m. were granted to Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 for a term of 50 years expiring on May 2043 for golf course and ancillary facilities use.
2. Pursuant to 7 building ownership certificates (document numbers: Yue Fang Di Quan Zheng Guan Zi Di No. 0200375203, 0200375204, 0200375205, 0200375206, 0200375207, 0200375208, 0200375209), the ownership of a hotel, 3 blocks of villa hotels, a club house of the property with a total gross floor area of approximately 41,574.18 sq.m. is vested in Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司. The particulars of the buildings are as follows:

Building Name	Approximate gross floor area (sq.m.)	No. of Storey	Structures	Building ownership certificates (document numbers)
Hotel (extension)	11,450.81	4	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375203
Club house	18,273.39	2	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375204
Hotel (room)	4,733.89	3	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375205
Villa Hotel 3	378.61	2	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375206
Villa Hotel 2	378.61	2	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375207
Villa Hotel 1	438.59	2	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375208
Hotel	5,920.28	2	Reinforced concrete	Yue Fang Di Quan Zheng Guan Zi Di No. 0200375209
Total	41,574.18			

3. The market value of the land with land use rights certificate and have a site area of approximately 1,000,039 sq.m. was RMB1,080,042,120 and the buildings with building ownership certificates with a total gross floor area of approximately 41,574.18 sq.m. was RMB229,500,000 as at the date of valuation. Therefore, the market value of the land and buildings with title certificates was RMB1,309,542,120, say RMB1,310,000,000.
4. We have been provided with a legal opinion on the property prepared by the PRC Legal Adviser, which contains, inter alia, the following information:
 - (a) The use rights of the land portion and ownership of buildings with building ownership certificates of the property are legally vested in Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司.
 - (b) The land use rights and buildings with building ownership certificates of the property are entitled to be transferred, leased and mortgaged in the market.
 - (c) The land use rights and buildings with building ownership certificates of the property are subject to mortgage in favour of 東莞農商行東城支行 to guarantee a maximum loan of RMB700,000,000 for a period between 22 September 2011 and 21 September 2019. Without written consent of the mortgagee, the mortgagor could not transfer, sell, lease or mortgage the land and buildings in the validity period of the mortgage agreement. Apart from the aforesaid mortgage, the land use rights and buildings with building ownership certificates are not subject to any encumbrances.
 - (d) The extension of the golf course (from 18-hole to 36-hole) has been completed on a parcel of land with site area 985 mu which has not yet been obtained land use right certificate. The relevant government authority has imposed penalty, Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 has fully settled the penalty, pending for the issuance of government policy of procedure of land use and environment protection.
 - (e) The relevant government has imposed penalty on the staff quarter and training court (temporary clubhouse) at an amount of RMB885,727 for the absence of construction work planning permit. Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 has fully settled the penalty. Pursuant to the PRC Legal Opinion, applying for the relevant construction work planning permits and building ownership certificates retroactively is not forbidden according to the existing PRC laws and administrative regulations.

- (f) The lease agreement of the training court (temporary club house) has not yet been registered with the appropriate government authority. The potential risk of not apply for construction planning and non-registration are (1) the risk of the buildings might be demolished and (2) the risk of breach of contract caused by demolish of buildings, if the buildings are demolished, Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 should pay the lessee the deposit of lease agreement which is RMB100,000 and the alternation work and renovation which had been done less the depreciated value. The lease agreement is effective and therefore non-registration of the lease agreement does not affect the effectiveness of the lease agreement.
5. As informed by the Company, HNA Hong Kong has agreed to indemnify the Company against all losses and liabilities existing therefrom and in connection therewith.
6. As informed by the Company, the management of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 is under discussion with the relevant government authorities and preparing the necessary documents to obtain the relevant permit for the buildings without building ownership certificates. Based on the aforesaid and given that HNA Hong Kong having agreed to indemnify the Company against all losses and liabilities existing therefrom and in connection therewith, the Directors consider that the outstanding permit would not have material impact on the business of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 upon Completion.
7. Pursuant to the PRC Legal Opinion, according to the Contract Law of the PRC, the contract established according to law becomes effective upon its establishment. Consequently, the registration of the lease agreement should be taken as a sort of public announcement to against the third party and the registration itself has no impact on the validity of contract between both parties which entered into this agreement. Therefore not having the lease agreement registered would not impact the legality of the agreement.

As informed by the Company, as the Company considers the registration would involve additional effort and expenses of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 and the registration of the lease agreement has no impact on the legality of the agreement, Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 did not conduct the registration with the appropriate government authority.

Based on the (i) rent agreed upon in the lease agreement is not material; (ii) cost of refund of deposit of lease agreement is not material; and (iii) registration of the lease agreement has no impact on the legality of the agreement and given that HNA Hong Kong having agreed to indemnify the Company against all losses and liabilities existing therefrom and in connection therewith, the Directors consider the potential risks of not applying for the construction planning and non-registration and the impacts to the business of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 after the completion of Proposed Acquisition is not material.

8. There are 8 buildings including a training court (temporary club house), 5 blocks of staff quarters, a staff canteen and a repair workshop having a total gross floor area of approximately 14,760 sq.m. have not yet been obtained building ownership certificates, we have ascribed no commercial value to these buildings due to the absence of the building ownership certificates, hence they are not entitled to be transferred, leased and mortgaged in the market. However, for indicative purpose, the market value of these buildings as at the date of valuation is approximately RMB14,300,000 (equivalent to approximately HK\$18,292,000) by assuming the relevant title documents were obtained and they are legally transferrable in the market.

Pursuant to the PRC Legal Opinion, applying for the relevant construction work planning permits and building ownership certificates retroactively is not forbidden according to the existing PRC laws and administrative regulations. As informed by the Company, the management of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 is under discussion with the relevant government authorities and preparing the necessary documents to obtain the relevant certificates.

Based on the aforesaid and given that HNA Hong Kong having agreed to indemnify the Company against all losses and liabilities existing therefrom and in connection therewith, the Directors consider that the outstanding certificate would not have material impact on the business of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 upon Completion.

The particulars of the buildings without building ownership certificates are as follows:

Building Name	Approximate gross floor area (sq.m.)	No. of Storey	Structures
Training court (temporary clubhouse)	2,568	2	Reinforced concrete
Repair workshop	2,608	1	Reinforced concrete
Staff quarter Block A and B	2,984	3	Reinforced concrete
Staff quarter Block C	1,159	3	Reinforced concrete
Staff quarter Block 1	2,210	4	Reinforced concrete
Staff quarter Block 2	1,240	4	Reinforced concrete
Staff canteen	1,991	2	Reinforced concrete
Total	14,760		

9. An extension of the golf course from 18-hole to 36-hole has been built on a parcel of land with a site area of approximately 985 mu, this parcel of land has not yet been obtained land use rights certificate, we have been instructed by the Company to ignore the market value of this parcel of land. Pursuant to the PRC Legal Opinion, Guangdong Government General Office has already offered a clear treatment suggestion on the unauthorized extension of Dongguan Hillview, and Dongguan Land Office imposed the penalty according to the treatment suggestion hereof. Dongguan Hillview has already accepted the penalty and fully settled the fine, pending for the issuance of government policy of procedure of land use and environment protection. Since the promulgation date of the Notification about Treatment Suggestion on Irregularity Golf Club by Guangdong Government General Office (No.[2005]62), only the Notification of National Golf Club Comprehensive Renovation by National Development and Reform Commission, Ministry of Supervision, Ministry of Land and Resources (No. (2011)741, “**Notification 741**”) was issued to regulate the golf club projects. In Notification 741, none of further regulation suggestions, detailed procedure, requirements or other information about land use right or environment protection was included herein. Based on above, there is no a clear law or regulation for Dongguan Hillview to abide so as to conduct land use procedure hereby until new regulations on golf club by national authorities are issued.

Based on the aforesaid and given that HNA Hong Kong having agreed to indemnify the Company against all losses and liabilities existing therefrom and in connection therewith, the Directors consider that the outstanding certificate would not have material impact on the business of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 upon Completion.

10. Hillview Golf Development Company Limited (英屬維爾京峰景) owns 65% total shares of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司. In Proposed Acquisition, San Tai Investment Company Limited which is an indirect wholly-owned subsidiary of the Company would purchase 100% shares of Hillview Golf Development Company Limited 英屬維爾京峰景 which wholly-owned by the Vendor, Leader Well Management Limited 卓領管理有限公司*. After Completion, the Company would indirectly owned 65% of total shares of Dongguan Hillview Golf Company Limited 東莞峰景高爾夫有限公司. As informed by the PRC Legal Adviser, according to the relevant memorandum and articles of association of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司, both parties to the joint venture share profit, risk and loss based on their equity holding in registered capital. According to the PRC legal opinion prepared by the PRC Legal Adviser in respect of certain aspects of the Target Group, Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 has obtained all necessary licences to operate.
11. The pledge of assets provided by Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 for the bank borrowings up to RMB300,000,000 of a fellow subsidiary of HNA Group (International) Company Limited 海航集團 (國際) 有限公司 for the period from 22 September 2011 to 21 September 2019 will be terminated before completion of the Proposed Acquisition pursuant to the conditions to the sale and purchase agreement dated 17 January 2014 entered into between the Company, the Purchaser and the Vendor in respect of the Proposed Acquisition.

The property will be subject to mortgage in favour of 東莞農商行東城支行 to guarantee a maximum loan of RMB400,000,000 of Dongguan Hillview Golf Company Limited* 東莞峰景高爾夫有限公司 for a period between 22 September 2011 and 21 September 2019 upon completion of the Proposed Acquisition.

12. The property was inspected by Ms. Kathy Xu, Senior Manager, China Real Estate Appraiser (CREA), MRICS on 6 December 2013.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “Model Code”) were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity in which interests are held	Number of Shares/underlying Shares			Total interests as to % of the issued share capital of the Company as at the Latest Practicable Date
		Interests in Shares	Derivative interests*	Total interests	
Li Shaofeng	Beneficial owner	–	21,000,000	21,000,000	0.78%
Mung Kin Keung (“Mr. Mung”)	Beneficial owner, interests of controlled corporations	449,137,480 ^Δ	21,000,000	470,137,480	17.46%
Leung Shun Sang, Tony	Beneficial owner	20,000,000	15,423,810	35,423,810	1.31%
Leung Kai Cheung	Beneficial owner	1,714,000	1,800,000	3,514,000	0.13%

* The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares of HK\$0.25 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.

Δ Mr. Mung, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 28 January 2013 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 25 January 2013, his interests included 1,888,000 Shares held by Mega Way International Ltd. ("Mega Way") and 447,249,480 Shares held by China Review Property Group Limited ("China Review").

Mega Way was a wholly-owned subsidiary of Mastermind Capital Limited which was held as to 35.49% by China Tian Di Xing Logistics Holdings Limited ("China Tian Di Xing"). China Tian Di Xing was held as to 99.99% by Mr. Mung.

China Review was wholly-owned by Mr. Mung. The interest held by China Review is disclosed under "(b) Substantial Shareholders" of this section.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would 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 the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, companies and persons who had interests or short positions in the Shares and 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 which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the Shares/underlying Shares

Name of shareholder	Capacity in which interests are held	Number of Shares/ underlying Shares	Interests as to % of the issued share capital of the Company as at the Latest Practicable Date	<i>Note(s)</i>
HNA Hong Kong	Beneficial owner	691,100,000	25.67%	–
Shougang Holding (Hong Kong) Limited (“Shougang Holding”)	Interests of controlled corporations	401,559,220	14.91%	1
Asset Resort Holdings Limited (“Asset Resort”)	Beneficial owner	231,515,151	8.59%	1
Wheeling Holdings Limited (“Wheeling”)	Beneficial owner	170,044,069	6.31%	1
China Review	Beneficial owner	447,249,480	16.61%	2
Templeton Asset Management Ltd.	Investment manager	193,749,999	7.19%	3
Expert China Investments Limited	Beneficial owner	157,544,000	5.85%	–
Link Chance Investment Limited	Beneficial owner	200,000,000	7.42%	4

Notes:

1. Shougang Holding indicated in its disclosure form dated 28 November 2012 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 27 November 2012, its interests included the interests held by Asset Resort and Wheeling respectively, both were wholly-owned subsidiaries of Shougang Holding.
2. China Review was wholly-owned by Mr. Mung, a Director, and its interest is disclosed as the interest of Mr. Mung under the section headed "(a) Directors and Chief Executive" of this section.
3. The interest was physically settled unlisted derivatives which were zero coupon convertible bond due 2014 issued by the Company pursuant to the subscription agreement dated 13 May 2009 in the principal amount of US\$15,000,000. The initial conversion price of the said convertible bond is HK\$0.60 per share (subject to adjustment).
4. The interest was physically settled unlisted derivatives which were 1.5% convertible bond due 2014 issued by the Company pursuant to the subscription agreement dated 3 March 2011 with an aggregate principal amount of HK\$360,000,000. The initial conversion price of the said convertible bond is HK\$0.45 per share (subject to adjustment).

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or proposed Director is a director or employee of a company which has an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. OTHER DIRECTORS' INTERESTS

(a) Interests in competing business

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in any business which complete or is likely to complete, either directly or indirectly, with the businesses of the Enlarged Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Company was made up).

(c) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, namely Mr. Mung Kin Keung, Mr. Li Tongshuang and Mr. Mung Bun Man, Alan, has entered into a service contract with the Company for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016. Under the said service contracts, each of Mr. Mung Kin Keung and Mr. Li Tongshuang is entitled to receive a monthly salary of HK\$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time and Mr. Mung Bun Man, Alan is entitled to receive a monthly salary of HK\$100,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time.

A non-executive Director, namely Mr. Li Shaofeng, has entered into an engagement letter with the Company for a term commencing on 17 March 2014 and expiring on 31 December 2016. The other non-executive Director, namely Mr. Leung Shun Sang, Tony has entered into an engagement letter with the Company for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016. Each of the independent non-executive Directors, namely Mr. Leung Kai Cheung, Mr. Liem Chi Kit, Kevin and Mr. Lam Kin Fung, Jeffrey, has entered into an engagement letter with the Company for a term of three years commencing on 1 January 2014 and expiring on 31 December 2016. Under the said engagement letters, each of the non-executive Directors and independent non-executive Directors is entitled to a director's fee as may be determined by the Board from time to time. There is no specific term regarding discretionary bonus and other variable remuneration under the said engagement letters. For the financial year ending 31 December 2014, the director's fee of Mr. Li Shaofeng will be HK\$150,000 for a full year, the director's fee of Mr. Leung Shun Sang, Tony will be HK\$190,000 for a full year, and the directors' fees of each of Mr. Leung Kai Cheung, Mr. Liem Chi Kit, Kevin, and Mr. Lan Kin Fung, Jeffrey will be HK\$240,000 for a full year.

5. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the supplemental agreements dated 29 February 2012, 29 June 2012 and 31 December 2012 respectively entered into between the Company and Hong Kong Guang Hua Resources Investments Company Limited ("Guang Hua") which supplement the agreement dated 23 December 2011 entered into between the Company as vendor and Guang Hua as purchaser in respect of the sale and purchase of one share in the issued share capital of South China Digital TV Holdings Limited ("SCDTV"), representing the entire issued share capital of SCDTV, at a consideration of HK\$1,420 million;
- (b) the loan agreement dated 29 February 2012 entered into between Shenzhen Tiger Information Technology Development Co., Ltd. 深圳市泰格信息科技開發有限公司, a wholly-owned subsidiary of the Company, as lender and Wuxi Ledong Microelectronics Co., Ltd. 無錫樂東微電子有限公司 ("Ledong"), as borrower in respect of the provision of a loan in the amount of RMB65 million to Ledong;

- (c) the supplemental deed dated 21 March 2012 entered into between the Company and Templeton Strategic Emerging Markets Fund III, LDC (“Templeton”) which supplements the subscription agreement dated 13 May 2009 entered into between the Company and Templeton in respect of the change of the redemption period;
- (d) the share transfer agreement dated 18 May 2012 entered into between 廣州市易家通互動信息發展有限公司 as vendor and Hangzhou Sinostride Industrial Group Co., Ltd. 杭州中程實業集團有限公司 as purchaser in respect of the sale and purchase of 15% of the registered capital of Chongqing SinoStride Technology Co., Ltd. 重慶中程科技有限公司 at a consideration of RMB30,000,000;
- (e) the guarantee agreement of Dongguan Hillview dated 25 May 2012 in respect of the pledge of assets provided by Dongguan Hillview for the bank borrowings up to RMB300 million of a fellow subsidiary of HNA Hong Kong for the period from 22 September 2011 to 21 September 2019;
- (f) the tax deed dated 22 June 2012 entered into among SCT Electronics Limited, Santai Corporate Services Limited (“SCS”) and the Company as covenantors and China Glory Management Limited as purchaser in respect of the sale and purchase of two shares of HK\$1 each in the issued share capital of Santai Electronics Limited (“SEL”), representing the entire issued share capital of SEL, at a consideration of RMB43,000,000;
- (g) the tax deed dated 22 June 2012 entered into among SCS and the Company as covenantors and Winteractive Development Limited as purchaser in respect of the sale and purchase of 1 share of US\$1 each in the issued share capital of Aberdeen Investments Limited (“AIL”), representing the entire issued share capital of AIL, at a consideration of RMB10,000,000;
- (h) the agreement dated 30 June 2012 entered into between the Company and Guang Hua in respect of the undertaking of balance sheet movements for SCDTV and its certain subsidiaries by Guang Hua from 1 January 2012 to 30 June 2012;
- (i) the agreement dated 30 June 2012 entered into between the Company and Guangdong Southern Yinshi Network Media Company Limited (“Southern Yinshi”) in respect of the compensation of service fee income by Southern Yinshi from 1 January 2012 to 30 June 2012;
- (j) the share transfer agreement dated 20 December 2012 entered into between Sinostride Technology Co., Ltd. 中程科技有限公司 (“Sinostride”) as vendor and 朱旭東 as purchaser in respect of the sale and purchase of 25.425% of the registered capital of Zhejiang Sinostride Energy Saving Technology Co. Limited 浙江中程節能技術有限公司 (“Zhejiang Sinostride”) at a consideration of RMB3,000,000;
- (k) the share transfer agreement dated 20 December 2012 entered into between Sinostride as vendor and 毛曉玲 as purchaser in respect of the sale and purchase of 25.425% of the registered capital of Zhejiang Sinostride at a consideration of RMB3,000,000;

- (l) the agreement dated 7 January 2013 entered into between Sino Stride (HK) Limited, an indirect wholly-owned subsidiary of the Company as vendor and Carrier Asia Limited as purchaser in respect of the sale and purchase of 20% of the registered capital of Sinostride at a consideration of RMB58,300,000;
- (m) the Guarantee Agreement; and
- (n) the SPA.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change in financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

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

Name	Qualification
Vigers Appraisal and Consulting Limited	Independent valuer
Goldin Financial Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Grandall Law Firm (Shanghai)	Qualified PRC legal adviser

Each of the experts above has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its names in the form and context in which they appear in this circular.

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect, in any asset which since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. GENERAL

- (a) The company secretary of the Company is Mr. Lau Lap Ngai, an associate member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is Units 2606A-2608, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong. The share registrar of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Units 2606A-2608, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong, during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 27 to 28 of this circular;
- (c) the letter from Goldin Financial Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 29 to 50 of this circular;
- (d) the written consents referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (e) the annual reports of the Company for each of the two years ended 31 December 2011 and 2012;
- (f) the interim report of the Company for the six months ended 30 June 2013;
- (g) the accountants' report of Deloitte Touche Tohmatsu dated 26 March 2014 on the financial information of the Target Company, the text of which is set out in Appendix IIA to this circular;

- (h) the accountants' report of Deloitte Touche Tohmatsu dated 26 March 2014 on the financial information of Dongguan Hillview, the text of which is set out in Appendix IIB to this circular;
- (i) the letter from Deloitte Touche Tohmatsu dated 26 March 2014 in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (j) the valuation report of Vigers Appraisal and Consulting Limited dated 26 March 2014, the text of which is set out in Appendix V to this circular;
- (k) the legal opinions prepared by Grandall Law Firm (Shanghai) in respect of certain aspects of the Target Group and the property interests of the Target Group in the PRC;
- (l) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (m) the loan agreement dated 30 September 2011 entered into between Dongguan Hillview as lender and HNA Huanan as borrower in relation to a loan provided by Dongguan Hillview to HNA Huanan in the amount up to RMB400 million with an interest rate of 9% per annum payable on a monthly basis for the business operation of HNA Huanan;
- (n) the service contracts of the Directors referred to in the paragraph headed "Directors' Service Contracts" in this appendix; and
- (o) this circular.

NOTICE OF EGM



首長科技集團有限公司
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Meeting**”) of Shougang Concord Technology Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 24 April 2014, at Units 2606A-2608, 26th Floor, Island Place Tower, 510 King’s Road, North Point, Hong Kong for the purpose of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 17 January 2014 (the “**Sale and Purchase Agreement**”)(a copy of which has been produced to the Meeting, marked “A” and initialled by the Chairman of the Meeting for the purpose of identification) entered into among the Company, San Tai Investment Company Limited (the “**Purchaser**”) and Leader Well Management Limited (the “**Vendor**”) in relation to the acquisition of the entire issued share capital of Hillview Golf Development Company Limited at a consideration of RMB585.0 million (equivalent to approximately HK\$743.1 million), which will be satisfied by the Company’s issue of the promissory note as set out in the circular of the Company dated 26 March 2014 (the “**Circular**”)(a copy of which has been produced to the Meeting marked “B” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the Completion (as defined in the Circular), the issue of the Promissory Note (as defined in the Circular) to the Vendor or its nominees (if applicable) on and subject to the terms and conditions of the Sale and Purchase Agreement be and are hereby approved and confirmed; and

NOTICE OF EGM

- (c) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any two persons appointed by the board of directors of the Company for that purpose) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement or any transactions contemplated thereunder.”

By order of the Board
Shougang Concord Technology Holdings Limited
Mung Kin Keung
Executive Chairman

Hong Kong, 26 March 2014

Registered office:
Units 2606A-2608, 26th Floor
Island Place Tower
510 King's Road
North Point
Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
 2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
 3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrars of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjourned Meeting thereof (as the case may be).
 4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned Meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
 5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- * denotes an English translation of a Chinese name and is for identification purposes only.