

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Jingrui Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

---



**MAJOR TRANSACTION**  
**ACQUISITION OF 100% EQUITY INTEREST IN PROPERTY SKY LIMITED**

---

\* *For identification purpose only*

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
<b>APPENDIX I      FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II      ACCOUNTANT’S REPORT ON THE TARGET GROUP</b> ...	II-1
<b>APPENDIX III      MANAGEMENT DISCUSSION AND ANALYSIS OF THE                                  TARGET GROUP</b> .....	III-1
<b>APPENDIX IV      VALUATION REPORT</b> .....	IV-1
<b>APPENDIX V      UNAUDITED PRO FORMA FINANCIAL INFORMATION                                  OF THE ENLARGED GROUP</b> .....	V-1
<b>APPENDIX VI      GENERAL INFORMATION</b> .....	VI-1

---

## DEFINITIONS

---

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

“Acquisition”	the (i) purchase of the Sale Shares by the Purchaser from the Sellers; (ii) assignment to the Purchaser of the Shareholders Loans; and (iii) repayment of the Entrustment Loan and the Yingxu Loan owed by Property Sky pursuant to the terms and conditions of the Sale and Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday) on which commercial banks are open for business in Hong Kong and the PRC
“Closing”	closing of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
“Company”	Jingrui Holdings Limited (景瑞控股有限公司*), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group and the Target Group immediately upon Closing
“Entrustment Loan”	means the loan with a principal amount of RMB25,000,000 as of the date of the Sale and Purchase Agreement extended to the Project Company by Bank of China Limited

\* For identification purpose only

---

## DEFINITIONS

---

“Final Consideration”	means the final consideration payable by the Purchaser in respect of the Acquisition as adjusted in the manner described under the section headed “Letter from the Board – The Principal Terms of the Sale and Purchase Agreement – Adjustments to the Initial Consideration” in this circular
“Final Consolidated Balance Sheet”	the unaudited consolidated balance sheet of the Target Group as of Closing prepared by Property Sky in accordance with the same accounting principles and practices used in preparing the Preliminary Consolidated Balance Sheet and shall be in the form of the Preliminary Consolidated Balance Sheet (for the avoidance of doubt, no provision for any land appreciation tax in relation to the Property (whether existing or contingent) shall be made on or reflected in the Final Consolidated Balance Sheet)
“First Installment”	means HK\$274,681,589, 30% of the sum of (i) the initial purchase price of HK\$159,005,297 as consideration for the Sale Shares; and (ii) an aggregate amount of HK\$756,600,000 representing the principal amount of the Shareholders Loans owed by Property Sky to the Sellers assigned to the Purchaser as shown on the Preliminary Consolidated Balance Sheet
“Group”	the Company and its subsidiaries
“HK HoldCo”	Estate Success Limited 具智有限公司, a company incorporated and existing under the laws of Hong Kong
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

---

## DEFINITIONS

---

“Initial Consideration”	the initial consideration of HK\$1,022,013,054 as at the date of the Sale and Purchase Agreement payable by the Purchaser in respect of the Acquisition, as further described in the section headed “Letter from the Board – The Principal Terms of the Sale and Purchase Agreement – Consideration and basis of the consideration” in this circular
“Keen Achieve”	Keen Achieve Limited, a company incorporated with limited liabilities under the laws of the British Virgin Islands
“Latest Practicable Date”	20 September 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Parties”	the parties to the Sale and Purchase Agreement
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan area
“Preliminary Consolidated Balance Sheet”	means the unaudited preliminary consolidated balance sheet of the Target Group as of 31 May 2016 prepared by Property Sky in accordance with HKFRS
“Project Company”	豐永(上海)置業有限公司 (Fengyong (Shanghai) Property Co., Limited), a company established and existing under the laws of the PRC and the direct owner of the Property
“Property”	Upper Riverside (尚濱江), and situated at Tower 3 of 國信世紀海景園 (Guoxin Century Seaview Park), Lane 1288 Pu Ming Road, Pudong, Shanghai, the PRC with a gross floor area of approximately 19,307 square metres, which is divided into about 97 units and 97 car parking spaces (excluding commercial properties on the 1st and 2nd floors)
“Property Sky”	Property Sky Limited, a company incorporated and existing under the laws of the British Virgin Islands

---

## DEFINITIONS

---

“Purchaser”	Natural Apex Limited, a company incorporated under the laws of the British Virgin Islands, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 July 2016 among the Company, the Purchaser, Wing Tai Properties and Keen Achieve in respect of the Acquisition
“Sale Shares”	two shares in Property Sky, representing the entire issued share capital of Property Sky, one of which held is by Wing Tai Properties and one of which is held by Keen Achieve
“Sellers”	Wing Tai Properties and Keen Achieve, and each of them is a “Seller”
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholders Loans”	a sum of HK\$756,600,000 as shown on the Preliminary Consolidated Balance Sheet lent by the Sellers to Property Sky as of the date of the Sale and Purchase Agreement, which sum was increased to HK\$765,100,000 as of Closing
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Target Group”	Property Sky, HK HoldCo and Project Company
“US\$”	United States dollar, the lawful currency of the United States
“Wing Tai Properties”	Wing Tai Properties (China) (No. 2) Limited, a company incorporated with limited liabilities under the laws of the British Virgin Islands

---

## DEFINITIONS

---

“Yingxu Loan”	means the loans with an aggregate principal amount of RMB65,000,000 as of the date of the Sale and Purchase Agreement extended to the Project Company by 上海英旭置業有限公司 (Shanghai Yingxu Property Co., Limited)
“%”	per cent.

*For the purpose of this circular, the exchange rates of HK\$1.00 to RMB0.845803 and US\$1.00 to HK\$7.7668 have been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and do not constitute representations that any amount in HK\$, RMB or US\$ has been, could have been or may be converted at such rates.*

*The Chinese name of the entities incorporated in the PRC is the official name and the English name is the translation for identification purpose only.*

---

## LETTER FROM THE BOARD

---



*Executive Directors:*

Mr. YAN Hao (*Co-chairmen*)  
Mr. CHEN Xin Ge (*Co-chairmen*)  
Mr. YANG Tie Jun  
Mr. XU Chao Hui

*Registered Office:*

190 Elgin Avenue  
George Town  
Grand Cayman  
KY1-9005  
Cayman Islands

*Independent non-executive Directors:*

Mr. HAN Jiong  
Mr. QIAN Shi Zheng  
Dr. LO Wing Yan, William

*Principal place of business in*

*Hong Kong:*  
Room 09, 43/F  
China Resources Building  
26 Harbour Road  
Hong Kong

23 September 2016

*To the Shareholders*

Dear Sir/Madam,

### **MAJOR TRANSACTION**

#### **ACQUISITION OF 100% EQUITY INTEREST IN PROPERTY SKY LIMITED**

#### **I. INTRODUCTION**

References are made to the announcements of the Company dated 18 July 2016, 22 July 2016 and 15 August 2016 in relation to the Sale and Purchase Agreement and the Acquisition.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, the Company has obtained a written approval of the Sale and Purchase Agreement and the transactions contemplated thereunder from a closely allied group of shareholders comprising Mr. YAN Hao, Mr. CHEN Xin Ge, Beyond Wisdom Limited and Decent King Limited, who together hold approximately 70.27% of the issued capital of the Company as at the date of this circular. With the written shareholders' approval and given all the conditions precedent under the Sale and Purchase Agreement have been fulfilled, the Acquisition closed on 15 August 2016.

Accordingly, each of Property Sky, HK HoldCo and Project Company has become a wholly-owned subsidiary of the Company and their financial results will be consolidated into the financial statements of the Group.



---

## LETTER FROM THE BOARD

---

This circular is despatched to you for information purposes only. The purpose of this circular is to provide you with, among others, (i) further details of the Sale and Purchase Agreement and the Acquisition; (ii) the audited financial information of the Target Group; (iii) the valuation report of the Property and (iv) other information required to be disclosed under the Listing Rules.

### II. ACQUISITION

On 18 July 2016, the Company, the Purchaser and the Sellers entered into the Sale and Purchase Agreement, pursuant to which: (i) the Sellers have agreed to sell and the Purchaser has agreed to purchase the entire issued share capital in Property Sky at an initial purchase price of HK\$159,005,297; (ii) the Parties have also agreed to the assignment to the Purchaser of the Shareholders Loans owed by Property Sky to the Sellers in an aggregate amount of HK\$756,600,000 as shown on the Preliminary Balance Sheet; and (iii) the Purchaser has agreed to pay off other loans owed by Property Sky to certain other parties with an aggregate principal amount of RMB90,000,000 (equivalent to approximately HK\$106,407,757) and all interest accrued thereon. Accordingly, the total Initial Consideration payable by the Purchaser for the purpose of the Acquisition amounts to HK\$1,022,013,054. The Final Consideration payable by the Purchaser is subject to certain adjustments to the Initial Consideration as provided for in the Sale and Purchase Agreement and as described in the section headed “The Principal Terms of the Sale and Purchase Agreement – Adjustments to the Initial Consideration” below.

### III. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised below.

#### **Date**

18 July 2016

#### **Parties**

- (1) Purchaser: Natural Apex Limited
- (2) Guarantor: the Company
- (3) Sellers: Wing Tai Properties and Keen Achieve

To the best of the knowledge, information, and belief of the Directors, having made all reasonable enquiries, as at the date of the Sale and Purchase Agreement, Wing Tai Properties and Keen Achieve and their respective ultimate beneficial owners are third parties independent of the Company and are not its connected persons as defined under the Listing Rules.

---

## LETTER FROM THE BOARD

---

### **The Sale Shares acquired**

Pursuant to the Sale and Purchase Agreement, each of Wing Tai Properties and Keen Achieve agreed to sell its respective 50% interest in Property Sky, and the Company agreed to acquire the entire issued share capital in Property Sky from the Sellers free from any encumbrances (other than the permitted encumbrances provided for under the Sale and Purchase Agreement) together with all rights and benefits therein.

Property Sky owns the entire issued share capital of HK HoldCo. HK HoldCo owns the entire issued share capital of the Project Company, which in turn directly owns the Property. Accordingly, each of Property Sky, HK HoldCo and Project Company has become a wholly-owned subsidiary of the Company and their financial results will be consolidated into the financial statements of the Group immediately upon Closing.

### **Consideration and basis of the consideration**

As of the date of the Sale and Purchase Agreement, the Initial Consideration payable in respect of the Acquisition was HK\$1,022,013,054, comprising of (i) the initial purchase price of HK\$159,005,297 as consideration for the Sale Shares; (ii) an aggregate amount of HK\$756,600,000 representing the principal amount of the Shareholders Loans owed by Property Sky to the Sellers as shown on the Preliminary Consolidated Balance Sheet to be assigned to the Purchaser; and (iii) other loans owed by Property Sky to certain other parties with an aggregate principal amount of RMB90,000,000 (equivalent to approximately HK\$106,407,757) to be paid off by the Purchaser.

### ***Initial purchase price as consideration for the Sale Shares***

The initial purchase price of HK\$159,005,297 as consideration for the Sale Shares was determined in accordance with the following formula:

$$\text{Initial purchase price for the Sale Shares} = A + B - C$$

Where:

- A = agreed value of the Property of RMB1,349,110,000 (equivalent to HK\$1,595,064,099);
- B = the aggregate of the value of the current assets (i.e. HK\$33,306,235) and the value of other long term assets (i.e. HK\$5,135,130), all as shown on the Preliminary Consolidated Balance Sheet;
- C = the aggregate of the value of current liabilities (i.e. HK\$151,965,682) and the value of long term liabilities (i.e. HK\$1,322,534,485), all as shown on the Preliminary Consolidated Balance Sheet.

---

## LETTER FROM THE BOARD

---

### *Shareholders Loans owed by Property Sky to the Sellers to be assigned to the Purchaser*

The aggregate amount of HK\$756,600,000 for the Shareholders Loans was the principal amount of the Shareholders Loans as shown on the Preliminary Consolidated Balance Sheet.

### *Other loans owed by Property Sky to certain other parties to be paid off by the Purchaser*

Other loans owed by Property Sky to certain other parties to be paid off by the Purchaser comprise of:

- (i) the Entrustment Loan with a principal amount of RMB25,000,000 (equivalent to approximately HK\$29,557,710), with interest rate of 4.60% per annum accrued on a daily basis; and
- (ii) the Yingxu Loan with aggregate principal amount of RMB65,000,000 (equivalent to approximately HK\$76,850,047), with interest rate of 4.35% per annum accrued on a daily basis.

The Entrustment Loan and the Yingxu Loan provided the Target Group funds for its general working capital purpose.

As of the date of repayment of such loans on the third (3rd) Business Day before Closing (i.e. 10 August 2016), the interest accrued with respect to the Entrustment Loan amounted to RMB159,722.22 (equivalent to approximately HK\$188,841) and the interest accrued with respect to the Yingxu Loan amounted to RMB1,054,726.03 (equivalent to approximately HK\$1,247,011).

### *Basis of the Initial Consideration*

The Initial Consideration was determined after arm's length negotiations among the Parties, which essentially reflects the agreed asset value of the Property of HK\$1,595,064,099 and having taken into account the balance sheet position of Property Sky as at 31 May 2016. The agreed value of the Property was determined with reference to the value of RMB1,081,554,439 (equivalent to approximately HK\$1,278,730,909) of the Property as shown on the books of the Project Company as of 31 May 2016. As the book value of the Property was prepared at cost, the parties also took into account other market factors such as (a) the historical rental revenue generated by the Property; (b) the upward market trend from 2013 to 2016 of the real estate prices in Shanghai, the PRC; and (c) the expectations of the Purchaser and the Guarantor that the future property market conditions in Shanghai will continue to be favourable. As such, the Purchaser and the Guarantor are of the view that the agreed value of the Property is fair and reasonable. This is further supported by the valuation of the Property by Knight Frank Petty Limited, an independent property valuer, which determined the market value of the Property as of 30 June 2016 at a higher amount of RMB1,500,000,000. Please refer to the property valuation report in Appendix IV to this circular for further details.

---

## LETTER FROM THE BOARD

---

### Adjustments to the Initial Consideration

The Final Consideration payable by the Purchaser in respect of the Acquisition will be subject to the following adjustments to the Initial Consideration:

- (i) the Purchaser has repaid all interests accrued in respect of the Entrustment Loan and the Yingxu Loan and such interests amounts were not included in the Initial Consideration. As noted above, the interests amounted to RMB1,214,448.25 (equivalent to approximately HK\$1,435,852) as of 10 August 2016;
- (ii) the Shareholders Loans owed by Property Sky to the Sellers have been increased to an amount of HK\$765,100,000 as of Closing; and
- (iii) the final purchase price for the Sale Shares shall be the amount calculated in accordance with the following formula:

$$\text{Final Purchase Price for the Sale Shares} = X + Y - Z$$

Where:

- X = agreed value of the Property of RMB1,349,110,000 (equivalent to HK\$1,595,064,099);
- Y = the aggregate of the value of the current assets and the value of other long term assets, all as shown on the Final Consolidated Balance Sheet;
- Z = the aggregate of the value of current liabilities and the value of the long term liabilities, all as shown on the Final Consolidated Balance Sheet.

The Final Consolidated Balance Sheet in respect of the Target Group as of Closing shall be delivered by the Purchaser to the Sellers within 45 days after Closing (i.e. before 29 September 2016, or such other date as may be mutually agreed between the Sellers and the Purchaser). Any Seller may object to the Final Consolidated Balance Sheet and/or the Purchaser's calculation of the final purchase price for the Sale Shares within thirty (30) days after the receipt of the Final Consolidated Balance Sheet and the Purchaser's calculation of the final purchase price for the Sale Shares. The Parties shall endeavor in good faith to resolve any objections raised by the Seller(s) pursuant to the terms of the Sale and Purchase Agreement.

Once the final purchase price for the Sale Shares and the final aggregate amount of the Shareholders Loans have been determined and agreed by the Parties pursuant to the terms of the Sale and Purchase Agreement, the Parties shall make payment to reflect the adjustments within three (3) Business Days. If the sum of the final purchase price for the Sale Shares and the final aggregate amount of the Shareholders Loans is less than the sum of the initial purchase price for the Sale Shares and the initial aggregate amount of the Shareholders Loans, the Sellers shall pay the difference to the Purchaser. If the sum of the final purchase price for

---

## LETTER FROM THE BOARD

---

the Sale Shares and the final aggregate amount of the Shareholders Loans is greater than the sum of the initial purchase price for the Sale Shares and the initial aggregate amount of the Shareholders Loans, the Purchaser shall pay the difference to the Sellers. However, if the amount of difference between the sum of the final purchase price for the Sale Shares and the final aggregate amount of the Shareholders Loans and the sum of the initial purchase price for the Sale Shares and the initial aggregate amount of the Shareholders Loans is less than HK\$100,000, no Party shall be obliged to make any adjustment payment.

The Company does not envisage the adjustments to the Initial Consideration and the resulting Final Consideration to increase any of the applicable percentage ratios (as defined in the Listing Rules) to 100% or above. The Company will make an announcement when the Final Consideration has been determined.

### **Payment of the Consideration as of Closing**

As of Closing, the Purchaser has paid to the Sellers an aggregate amount of HK\$915,605,297 in cash, representing (i) the initial purchase price of HK\$159,005,297 as consideration for the Sale Shares; and (ii) an aggregate amount of HK\$756,600,000 representing the principal amount of the Shareholders Loans owed by Property Sky to the Sellers as shown on the Preliminary Consolidated Balance Sheet assigned to the Purchaser, in the following manner:

- (i) an initial sum of US\$8,000,000 (HK\$62,134,400 by applying the agreed exchange rate of US\$1 = HK\$7.7668) was paid to each Seller in equal portion prior to the entering into the Sale and Purchase Agreement;
- (ii) the aggregate amount of HK\$212,547,189, representing the balance of the First Installment after crediting the initial sum was paid by the Purchaser to each Seller in equal portion (as to HK\$106,273,594.5 to Wing Tai Properties and HK\$106,273,594.5 to Keen Achieve) on the next Business Day after the date of the Sale and Purchase Agreement; and
- (iii) the remaining amount of the Initial Consideration of HK\$640,923,708 was paid by the Purchaser to each Seller in equal portion (as to HK\$320,461,854 to Wing Tai Properties and HK\$320,461,854 to Keen Achieve) on the date of Closing.

In addition, the Purchaser has repaid other loans owed by Property Sky to certain other parties by paying an aggregate amount of RMB91,214,448.25 (equivalent to approximately HK\$107,843,609) which comprises of aggregate principal amounts of the Entrustment Loan and the Yingxu Loan of RMB90,000,000 (equivalent to approximately HK\$106,407,757) plus all interest accrued thereon (of an aggregate amount of RMB1,214,448.25 (equivalent to approximately HK\$1,435,852)) to the Project Company as of the third (3rd) Business Day before Closing (i.e. 10 August 2016). The Project Company then repaid the amounts respectively to Bank of China Limited and 上海英旭置業有限公司 (Shanghai Yingxu Property Co., Limited), settling the loans in entirety.

---

## LETTER FROM THE BOARD

---

The Purchaser and the Company has funded the consideration for the Acquisition using its internal resources.

### **Guarantee**

The Company has agreed to guarantee the due and punctual performance of all obligations of the Purchaser under the terms of the Sale and Purchase Agreement.

### **Conditions Precedent to the Closing of the Sale and Purchase Agreement**

Closing of the Acquisition was conditional upon the satisfaction (or waiver of the conditions set out in provisions (i) to (iii) (both inclusive) by the Purchaser or waiver of the conditions set out in provisions (iv) to (vi) (both inclusive) by the Sellers) of the following conditions precedent:

- (i) each of the Sellers' deliverables required to be delivered by the Sellers at Closing pursuant to the Sale and Purchase Agreement shall have been delivered as provided therein;
- (ii) the consultancy and services agreement in relation to the Property dated 1 September 2014 entered into between 逸蘭公寓管理(上海)有限公司 (Lanson Place Hospitality Management (Shanghai) Limited) and the Project Company as supplemented by the supplemental agreement dated 26 May 2015 entered into between 逸蘭公寓管理(上海)有限公司 (Lanson Place Hospitality Management (Shanghai) Limited) and the Project Company having been terminated by the parties thereto;
- (iii) in respect of each of the relevant employees of the Project Company, written notice of termination of employment having been issued by the Project Company to each relevant employee and mailed (by way of registered mail) to the relevant employee's address as stated in that relevant employee's employment contract with the Project Company;
- (iv) each of the Purchaser's deliverables required to be delivered by the Purchaser at Closing pursuant to the Sale and Purchase Agreement shall have been delivered as provided therein;
- (v) the Purchaser has repaid, or has procured the repayment of the Entrustment Loan in its entirety and has paid, or has procured the payment of, all interest accrued thereon to Bank of China Limited on behalf of the Project Company pursuant to the Sale and Purchase Agreement and Bank of China Limited has received the same; and
- (vi) the Purchaser has repaid, or has procured the repayment of the Yingxu Loan in its entirety and has paid, or has procured the payment of, all interest accrued thereon (if any) to Shanghai Yingxu Property Co., Limited on behalf of the Project Company pursuant to the Sale and Purchase Agreement and 上海英旭置業有限公司 (Shanghai Yingxu Property Co., Limited) has received the same.

All of the above conditions precedent have been fulfilled.

---

## LETTER FROM THE BOARD

---

### Closing

Mr. YAN Hao and Mr. CHEN Xin Ge are co-founders of the Group and have been controlling shareholders of the Company and its predecessor since November 2002. Both of them are co-chairmen of the Company and Mr. YAN Hao is also the chief executive officer of the Company. Mr. YAN Hao and Mr. CHEN Xin Ge are presumed to be parties acting in concert under the Takeovers Code. Accordingly, Mr. YAN Hao and Mr. CHEN Xin Ge and their respective holding companies, Beyond Wisdom Limited and Decent King Limited, are considered as a closely allied group of shareholders under Rule 14.44 of the Listing Rules and Mr. YAN Hao, Mr. CHEN Xin Ge, Beyond Wisdom Limited and Decent King Limited have approved the Acquisition in writing. Accordingly, Closing has taken place on 15 August 2016.

### INFORMATION ON THE SELLERS

Wing Tai Properties is an indirect wholly-owned subsidiary of Wing Tai Properties Limited. Wing Tai Properties Limited is an investment holding company, the shares of which are listed on the Stock Exchange. The principal subsidiaries of Wing Tai Properties Limited are engaged in property development, property investment and management and hospitality investment and management.

Keen Achieve Limited is an indirectly wholly-owned subsidiary of Nan Fung International Holdings Limited. Nan Fung International Holdings Limited is a company incorporated in British Virgin Islands. The principal subsidiaries of Nan Fung International Holdings Limited are engaged in property development, property investment, construction, property management, hospitality management and financial investment.

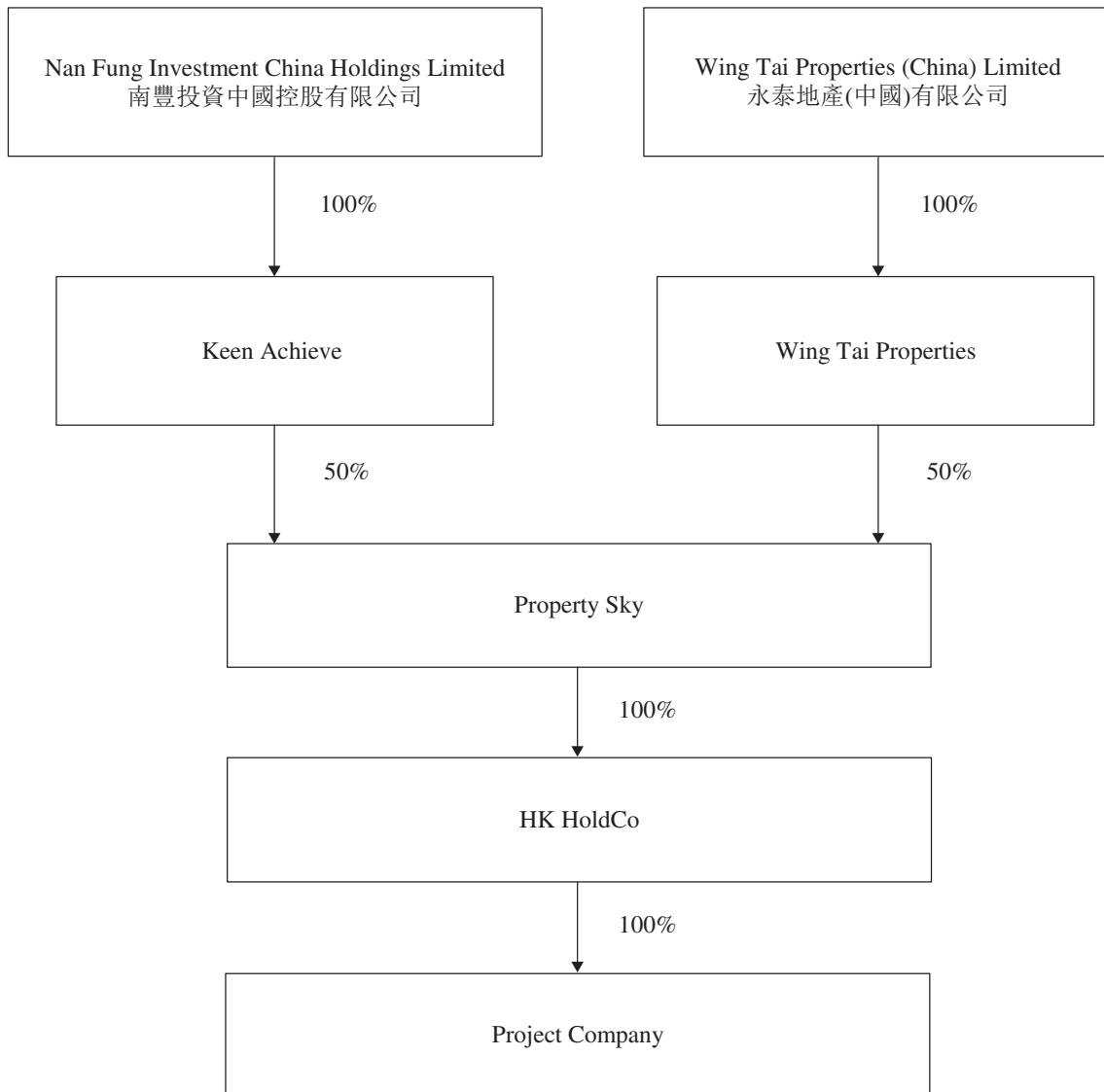
---

## LETTER FROM THE BOARD

---

### INFORMATION ON THE TARGET GROUP

Property Sky is an investment holding company incorporated in the British Virgin Islands, the issued share capital of which was held as to 50% and 50% by Keen Achieve and Wing Tai Properties, respectively, as of the date of the Sale and Purchase Agreement. Property Sky, through HK HoldCo and the Project Company, owns the Property. The corporate structure of the Sellers and the Target Group prior to Closing was as follows:





---

## LETTER FROM THE BOARD

---

As of 30 June 2016, the audited consolidated net asset value of the Target Group was approximately HK\$74,833,188, and its audited consolidated financial results for the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 were as follows:

	<b>For the years ended 31 December</b>			<b>For the Six months ended 30 June</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Revenue	0	0	1,486,408	6,162,313
Profit/(loss) before tax	41,365,433	(78,781,345)	(29,291,310)	77,191,834
Profit/(loss) after tax	19,093,255	(53,911,716)	(23,618,260)	35,464,171

### INFORMATION ON THE PROPERTY

The Property is currently known as Upper Riverside (尚濱江), and situated at Tower 3 of 國信世紀海景園 (Guoxin Century Seaview Park), Lane 1288 Pu Ming Road, Pudong, Shanghai, the PRC with a gross floor area of approximately 19,307 square metres, which is divided into about 97 office units and 97 car parking spaces (excluding commercial properties on the 1st and 2nd floors).

According to the property valuation report in Appendix IV, the value of the Property as of 30 June 2016 was RMB1,500,000,000. Please refer to the property valuation report in Appendix IV to this circular for further details.

### INFORMATION ON THE PURCHASER

The Company is incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is one of the leading property developers in the Yantze River Delta region, the PRC.

The Purchaser is a holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

### REASONS AND BENEFITS FOR THE ACQUISITION

The Group is principally engaged in the property development business in the Yangtze River Delta region and the Acquisition is conducted in the ordinary and usual course of business of the Group.

---

## LETTER FROM THE BOARD

---

The Property is a serviced-apartment project in Shanghai. The Board believes that the Acquisition is in line with the principal business of the Group and provides an excellent investment opportunity for the Group to further establish its position in the property market in the region. The Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms thereof are on normal commercial terms, which are fair and reasonable.

### FINANCIAL EFFECTS OF THE ACQUISITION

Immediately upon Closing, each of Property Sky, HK HoldCo and Project Company has become a wholly-owned subsidiary of the Company and their assets, liabilities and financial results will be consolidated into the financial statements of the Group. For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix V to this circular.

#### Assets and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix V to this circular (assuming the Acquisition had been completed on 30 June 2016), the total assets of the Group would have increased from approximately RMB35,473,049,000 to approximately RMB36,183,389,000 on a pro forma basis, the total liabilities of the Group would have increased from approximately RMB30,809,599,000 to approximately RMB31,530,857,000 on a pro forma basis, and the net assets of the Group would have decreased from RMB4,663,450,000 to RMB4,652,532,000 on a pro forma basis.

#### Earnings

As set out in the accountants' report of the Target Group in Appendix II to this circular, the revenue of the Target Group for the year ended 31 December 2015 was approximately HK\$1,486,408 and the Target Group recorded a net loss of approximately HK\$23,618,260 for the year ended 31 December 2015. While there will not be any immediate material impact on earnings of the Group, the Directors believe that the Acquisition would enhance the Group's business development.

### LISTING RULES IMPLICATIONS

As one of applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules subject to the notification, announcement and Shareholders' approval requirements under the Listing Rules. The Company does not envisage the adjustments to the Initial Consideration and the resulting Final Consideration to increase any of the applicable percentage ratios to 100% or above.

---

## LETTER FROM THE BOARD

---

As no Shareholder has a material interest in the Acquisition, no Shareholder would be required to abstain from voting if the Company was to convene a general meeting for approving the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval can be accepted in lieu of holding a general meeting provided that no qualified opinion is issued by auditors in respect of the accountants' report of the Target Group to be included in this circular. No qualified opinion was issued by the auditors in respect of the accountants report of the Target Group for the three financial years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, as set out in Appendix II to this circular. The Company's controlling shareholders, namely, Mr. Mr. YAN Hao and Mr. CHEN Xin Ge, who, through Beyond Wisdom Limited and Decent King Limited, hold 480,220,613 Shares and 427,205,918 Shares (representing 37.19% and 33.08% of the issued capital of the Company as at the date of this circular, respectively), have approved the Sale and Purchase Agreement and the transactions contemplated thereunder in writing. Given all the conditions precedent under the Sale and Purchase Agreement have been fulfilled, the Proposed Acquisition closed on 15 August 2016.

\* *For identification purpose only*

Yours faithfully,  
By order of the Board  
**Jingrui Holdings Limited**  
**Yan Hao                      Chen Xin Ge**  
*Co-chairmen*

## 1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and the unaudited financial information of the Group for the six months ended 30 June 2016, together with the relevant notes thereto are disclosed in the following documents:

- interim results announcement of the Company for the six months ended 30 June 2016 published on 25 August 2016 (pages 2 to 23);

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0826/LTN20160826039.pdf>*

- annual report of the Company for the year ended 31 December 2015 published on 26 April 2016 (pages 57 to 159);

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN20160426285.pdf>*

- annual report of the Company for the year ended 31 December 2014 published on 8 April 2015 (pages 54 to 147); and

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0408/LTN20150408796.pdf>*

- annual report of the Company for the year ended 31 December 2013 published on 21 March 2014 (pages 48 to 125).

*<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0321/LTN201403211230.pdf>*

## 2. STATEMENT OF INDEBTEDNESS

As at July 31, 2016, the Enlarge Group had borrowings of approximately RMB15,618.9 million, consisting of current borrowings of approximately RMB6,661.7 million and non-current borrowings of approximately RMB8,957.2 million.

As at 31 July 2016, the Enlarged Group had un-utilized banking facilities of approximately RMB3,068.3 million.

As at 31 July 2016, the Enlarged Group had the following debt instruments:

- (i) an aggregate US\$93.7 million principal amount of 13.625% guaranteed senior notes due 2019, jointly and severally guaranteed by certain subsidiaries of the Company organized outside the PRC;
- (ii) an aggregate US\$135.3 million principal amount of 13.250% guaranteed senior notes due 2018, jointly and severally guaranteed by certain subsidiaries of the Company organized outside the PRC; and
- (iii) an aggregate of RMB1.5 billion principal amount of 5.88% unsecured domestic corporate bonds.

As of 31 July 2016, the contingent liabilities incurred by the Enlarged Group for provision of guarantees to financial institutions in respect of the mortgage loans provided by such financial institutions to the property purchasers of the Group were approximately RMB9,329.0 million. In addition, the Enlarged Group provided guarantee for certain bank loans amounting to RMB322 million for joint venture companies of the Group as of 31 July 2016.

Save as disclosed above or as otherwise mentioned herein, and apart from intragroup liabilities and normal accounts and other payables in the ordinary course of business, as at 31 July 2016, the Enlarged Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including liabilities under acceptances or acceptance credits or hire purchase commitments, and any mortgages and charges, guarantees and material contingent liabilities.

### 3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group (including the Group's internally generated funds and the effect of the Acquisition), in the absence of unforeseeable circumstances, the Enlarged Group will have sufficient working capital for at least 12 months from the date of this circular.

### 4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the coming financial year, the Group will continue to be engaged in property development and property investment in the Yangtze River Delta region in the PRC, as well as at Tianjin and Chongqing, the PRC. The management team has been exploring business opportunities in the area to expand the Group's operation and enhance its earnings. The management team is actively looking for suitable investments opportunities to diversify its existing business portfolio and to broaden its source of income.

The following table sets out the existing projects of the Group's property development as of June 30, 2016:

Location/Project name	Development status	Expected date of completion	Gross floor area (sq.m.) – under construction	Gross floor area (sq.m.) – pending construction
Shanghai/Shanghai Fengxiang PHASE III (上海鳳翔項目三期)	Mixed used development/Under construction	December 2017	183,638	–
Shanghai/Shanghai Hongkou (上海虹口)	Residential/Pending construction	June 2017	–	31,132
Tianjin/Tianjin Jingrui Yingjun (天津景瑞·英郡)	Residential/Pending construction	–	–	440,800

## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

Location/Project name	Development status	Expected date of completion	Gross floor area (sq.m.) – under construction	Gross floor area (sq.m.) – pending construction
PHASE II (二期)	–	October 2017	–	84,700
PHASE III (三期)	–	October 2017	–	173,800
PHASE IV (四期)	–	October 2018	–	182,300
Tianjin/Tianjin Yuefu (天津•悅府項目)	Residential/Under construction	December 2017	111,093	–
Chongqing/Chongqing Jingrui Xilianshe (重慶景瑞•西聯社項目)	Mixed used development/Under construction	December 2017	39,368	–
Hangzhou/Hangzhou Jingrui Royal Mansion (杭州景瑞•御華府)	Residential/ Under construction	September 2016	212,489	–
Hangzhou/Hangzhou Jingrui Shenhua No. One (杭州景瑞•申花壹號院)	Residential/Under construction	–	191,359	–
PHASE I (一期)	–	November 2016	91,751	–
PHASE II (二期)	–	July 2017	99,608	–
Hangzhou/Hangzhou Jingrui Olympic (杭州景瑞•奧體項目)	Residential/Pending construction	December 2018	–	107,865
Hangzhou/Hangzhou Shenhua County (杭州申花郡)	Residential/Under construction	December 2016	73,940	–
Ningbo/Ningbo Majestic Mansion (寧波紅翎臺項目)	Residential/Under construction	December 2017	117,192	–
Ningbo/Ningbo Jingrui Ti Xiangjun (寧波景瑞•緹香郡)	Residential/Under construction	July 2018	120,832	–
Ningbo/Ningbo Jingrui Qingfeng (寧波景瑞•慶豐項目)	Mixed used development/Pending construction	December 2018	–	120,927

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Location/Project name	Development status	Expected date of completion	Gross floor area (sq.m.) – under construction	Gross floor area (sq.m.) – pending construction
Zhoushan/Zhoushan Jingrui Haobusika PHASE III (舟山景瑞 • 豪布斯卡三期)	Residential/Pending construction	December 2017	–	63,659
Shaoxing/Shaoxing Jingrui Dignity Mansion (紹興景瑞• 望府)	Residential/Pending construction/Under construction	–	120,370	63,000
PHASE IV (四期)	–	December 2016	120,370	–
PHASE V (五期)	–	December 2016	–	63,000
Shaoxing/Shaoxing Jingrui Nobility Mansion PHASE II (紹興景瑞• 御江山二 期)	Residential/Under construction	December 2016	71,452	–
Shaoxing/Shaoxing Jingrui Lake of Dawn (紹興景瑞• 曦之湖)	Residential/Under construction	December 2016	271,215	–
Taizhou/ Taizhou Dignity Mansion (臺 州• 望府)	Residential/ Under construction	September 2016	82,422	–
Suzhou/Suzhou Jingrui Jade Bay PHASE IV (蘇州景瑞• 翡翠灣四 期)	Residential/Under construction	December 2017	88,391	–
Suzhou/Suzhou Jingrui Nobility Mansion (蘇 州景瑞• 御江山)	Residential/Under construction	–	201,195	–
PHASE I NORTH (一期北)	–	June 2017	57,140	–
PHASE II (二期)	–	September 2016	77,772	–
PHASE III (三期)	–	October 2017	44,559	–
PHASE IV (四期)	–	June 2018	21,724	–

Location/Project name	Development status	Expected date of completion	Gross floor area (sq.m.) – under construction	Gross floor area (sq.m.) – pending construction
Suzhou/Suzhou Jingrui Dignity Mansion (蘇州景瑞•望府)	Residential/Under construction	–	118,909	–
PHASE IV (四期)	–	September 2016	50,830	–
PHASE V (五期)	–	December 2017	68,079	–
Suzhou/Suzhou Wujiang (蘇州吳江項目)	Mixed used development/Under construction	December 2017	136,075	–
Suzhou/Suzhou Tech City (蘇州科技城項目)	Residential/Pending construction/	December 2017	–	133,871
Wuxi/Wuxi Jingrui Dignity Mansion PHASE II (無錫景瑞•望府二期)	Residential/Under construction	December 2016	182,391	–
Changzhou/Changzhou Jingrui Dignity Mansion PHASE III (常州景瑞•望府三期)	Residential/Pending construction	December 2017	–	113,266
Nantong/Nantong Jingrui Royal Mansion (南通景瑞•御府)	Residential/Under construction	–	344,452	–
PHASE I (一期)	–	October 2017	155,237	–
PHASE II (二期)	–	December 2018	189,215	–
Nanjing/Nanjing Jishan (南京•吉山項目)	Residential/Under construction	October 2017	37,571	–
<b>Total</b>			<b>2,704,354</b>	<b>1,074,520</b>

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.



---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

*The following is the text of a report on Property Sky Limited received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

23 September 2016

The Directors  
Jingrui Holdings Limited

Dear Sirs,

We report on the financial information of Property Sky Limited (“Property Sky”) and its subsidiaries (together, the “Property Sky Group”), which comprises the consolidated and company statements of financial position of Property Sky as at 31 December 2013, 2014 and 2015 and 30 June 2016 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Property Sky for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Jingrui Holdings Limited (the “Company”) and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 23 September 2016 (the “Circular”) in connection with the acquisition of the equity interests of Property Sky by a wholly-owned subsidiary of the Company.

Property Sky was incorporated in the British Virgin Islands on 6 June 2010 as a limited liability company. As at the date of this report, Property Sky has direct and indirect interests in the subsidiaries as set out in Note 13 of Section II below.

The consolidated financial statements of Property Sky for the year ended 31 December 2013 were audited by PricewaterhouseCoopers Hong Kong pursuant to separate terms of engagement with Property Sky. The directors of Property Sky are responsible for the preparation of the consolidated financial statements of Property Sky for the year ended 31 December 2013 that give a true and fair view in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and for such internal control as the directors of Property Sky determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

---

## **APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP**

---

No statutory audited financial statements have been prepared by Property Sky for the years ended 31 December 2013, 2014 and 2015, as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation. The statutory audited financial statements of the other companies now comprising the Property Sky Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 13 of Section II.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of Property Sky for the Relevant Periods (the "Underlying Financial Statements") that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the accounting policies adopted by the Company and its subsidiaries (together, the "Group"), as set out in the annual report of the Company for the year ended 31 December 2015, with reference to the consolidated financial information of Property Sky (the "Property Sky Management Account") prepared by the directors of Property Sky. The directors of Property Sky are responsible for such internal control as they determine is necessary to enable the preparation of the Property Sky Management Account that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2015.

### **REPORTING ACCOUNTANT'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

### **OPINION**

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of Property Sky and of Property Sky Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of Property Sky Group's financial performance and cash flows for the Relevant Periods.

---

## **APPENDIX II ACCOUNTANT’S REPORT ON THE TARGET GROUP**

---

### **REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION**

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of Property Sky Group for the six months ended 30 June 2015 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Company and its subsidiaries as set out in the annual report of the Company for the year ended 31 December 2015.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review 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. A review of Stub Period Comparative Financial Information 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 in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### I FINANCIAL INFORMATION OF PROPERTY SKY GROUP

The following is the financial information of Property Sky Limited (“Property Sky”) and its subsidiaries (together, the “Property Sky Group”) as at 31 December 2013, 2014 and 2015 and 30 June 2016 and for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 (the “Financial Information”):

#### 1. Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$ (unaudited)	2016 HK\$
Revenue	5	–	–	1,486,408	–	6,162,313
Cost of sales	7	–	–	(2,868,520)	–	(4,514,098)
<b>Gross (loss)/profit</b>		–	–	(1,382,112)	–	1,648,215
Other income, net	6	73	129,879	9,019	2,757	99,142
Selling and marketing costs	7	–	(9,554,961)	(3,792,960)	(1,846,795)	(1,682,187)
Administrative expenses	7	(12,177,887)	(15,355,492)	(21,811,684)	(8,906,573)	(13,883,567)
Fair value gains/(losses) on investment property	11	55,671,228	(54,079,973)	19,693,180	18,638,038	124,804,188
<b>Profit/(loss) from operations</b>		43,493,414	(78,860,547)	(7,284,557)	7,887,427	110,985,791
Finance income	9	11,602	79,202	238,165	182,770	79,410
Finance costs	9	(2,139,583)	–	(22,244,918)	–	(33,873,367)
<b>Profit/(loss) before income tax</b>		41,365,433	(78,781,345)	(29,291,310)	8,070,197	77,191,834
Income tax expense	10	(22,272,178)	24,869,629	5,673,050	(1,775,139)	(41,727,663)
<b>Profit/(loss) for the year/period attributable to equity holders of Property Sky</b>		19,093,255	(53,911,716)	(23,618,260)	6,295,058	35,464,171
<b>Other comprehensive income</b>						
<i>Item that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operation, net of tax		22,408,648	(21,216,845)	(46,052,892)	751,228	(11,300,763)
<b>Total comprehensive income/(loss) for the year/period attributable to equity holders of Property Sky</b>		41,501,903	(75,128,561)	(69,671,152)	7,046,286	24,163,408

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 2. Consolidated statements of financial position

	Note	As of 31 December			As of
		2013 HK\$	2014 HK\$	2015 HK\$	30 June 2016 HK\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	11	1,652,183,591	1,638,561,967	1,660,934,803	1,756,554,225
Furniture, fixtures and equipment	12	80,403	2,368,459	13,386,113	12,145,695
		<u>1,652,263,994</u>	<u>1,640,930,426</u>	<u>1,674,320,916</u>	<u>1,768,699,920</u>
<b>Current assets</b>					
Trade and other receivables	14	192,069	805,520	1,198,496	1,059,503
Cash and cash equivalents	15	27,601,473	27,146,734	26,453,665	21,749,766
		<u>27,793,542</u>	<u>27,952,254</u>	<u>27,652,161</u>	<u>22,809,269</u>
<b>Total assets</b>		<u>1,680,057,536</u>	<u>1,668,882,680</u>	<u>1,701,973,077</u>	<u>1,791,509,189</u>
<b>EQUITY and LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16	16	16	16	16
Reserves		<u>172,081,921</u>	<u>104,899,794</u>	<u>43,240,036</u>	<u>74,833,172</u>
<b>Total equity</b>		<u>172,081,937</u>	<u>104,899,810</u>	<u>43,240,052</u>	<u>74,833,188</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	18	551,763,643	549,218,177	546,667,599	518,767,575
Loans from shareholders	19	668,338,965	748,653,566	748,588,605	–
Finance lease liability	20	–	4,341,888	4,108,603	4,056,375
Deferred income tax liabilities	21	274,700,911	243,725,432	225,719,526	264,060,711
		<u>1,494,803,519</u>	<u>1,545,939,063</u>	<u>1,525,084,333</u>	<u>786,884,661</u>
<b>Current liabilities</b>					
Other payables and accrued charges	22	11,238,649	8,133,716	40,605,976	20,247,872
Amount due to a shareholder	23	20,634	25,548	31,320	36,390
Amounts due to related companies	23	634,797	3,649,543	4,511,396	4,952,078
Loans from shareholders	19	–	–	–	756,600,000
Loan from a related company	24	–	–	–	75,725,000
Borrowings	18	1,278,000	6,235,000	88,500,000	72,230,000
		<u>13,172,080</u>	<u>18,043,807</u>	<u>133,648,692</u>	<u>929,791,340</u>
<b>Total liabilities</b>		<u>1,507,975,599</u>	<u>1,563,982,870</u>	<u>1,658,733,025</u>	<u>1,716,676,001</u>
<b>Total equity and liabilities</b>		<u>1,680,057,536</u>	<u>1,668,882,680</u>	<u>1,701,973,077</u>	<u>1,791,509,189</u>
<b>Net current assets/(liabilities)</b>		<u>14,621,462</u>	<u>9,908,447</u>	<u>(105,996,531)</u>	<u>(906,982,071)</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 3. Statements of Financial Position

	Note	As of 31 December			As of
		2013 HK\$	2014 HK\$	2015 HK\$	30 June 2016 HK\$
<b>Non-current assets</b>					
Interests in a subsidiary	13	675,550,001	756,550,001	756,550,001	756,550,001
<b>Current assets</b>					
Cash and cash equivalents	15	31,750	23,450	23,250	23,050
<b>Total assets</b>		<u>675,581,751</u>	<u>756,573,451</u>	<u>756,573,251</u>	<u>756,573,051</u>
<b>EQUITY and LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16	16	16	16	16
Reserves	17	7,141,786	7,785,613	7,819,602	(197,063)
<b>Total equity/(shareholders' deficit)</b>		<u>7,141,802</u>	<u>7,785,629</u>	<u>7,819,618</u>	<u>(197,047)</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans from shareholders	19	668,338,965	748,653,566	748,588,605	–
<b>Current liabilities</b>					
Other payables and accrued charges		27,500	55,000	53,750	53,750
Amount due to a shareholder	23	20,634	25,548	31,320	36,390
Amount due to a subsidiary	23	52,850	53,708	79,958	79,958
Loans from shareholders	19	–	–	–	756,600,000
		100,984	134,256	165,028	756,770,098
<b>Total liabilities</b>		<u>668,439,949</u>	<u>748,787,822</u>	<u>748,753,633</u>	<u>756,770,098</u>
<b>Total equity and liabilities</b>		<u>675,581,751</u>	<u>756,573,451</u>	<u>756,573,251</u>	<u>756,573,051</u>
Net current assets/(liabilities)		<u>(69,234)</u>	<u>(110,806)</u>	<u>(141,778)</u>	<u>(756,747,048)</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 4. Consolidated statements of changes in equity

	Attributable to owners of Property Sky				Total HK\$
	Share capital HK\$	Capital contribution reserve HK\$	Translation reserve HK\$	Retained earnings HK\$	
At 1 January 2013	16	11,319,043	22,305,908	89,694,032	123,318,999
<b>Comprehensive income</b>					
Profit for the year	–	–	–	19,093,255	19,093,255
<b>Other comprehensive income</b>					
Exchange differences on the translation of foreign operations	–	–	22,408,648	–	22,408,648
<b>Total comprehensive income</b>	–	–	22,408,648	19,093,255	41,501,903
<b>Transaction with owners</b>					
Notional interest on discounted loans from shareholders (note 19)	–	7,261,035	–	–	7,261,035
At 31 December 2013	<u>16</u>	<u>18,580,078</u>	<u>44,714,556</u>	<u>108,787,287</u>	<u>172,081,937</u>
At 1 January 2014	16	18,580,078	44,714,556	108,787,287	172,081,937
<b>Comprehensive income</b>					
Loss for the year	–	–	–	(53,911,716)	(53,911,716)
<b>Other comprehensive income</b>					
Exchange differences on the translation of foreign operations	–	–	(21,216,845)	–	(21,216,845)
<b>Total comprehensive loss</b>	–	–	(21,216,845)	(53,911,716)	(75,128,561)
<b>Transaction with owners</b>					
Notional interest on discounted loans from shareholders (note 19)	–	7,946,434	–	–	7,946,434
At 31 December 2014	<u>16</u>	<u>26,526,512</u>	<u>23,497,711</u>	<u>54,875,571</u>	<u>104,899,810</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

	Attributable to owners of Property Sky				
	Share capital	Capital contribution reserve	Translation reserve	Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2015	16	26,526,512	23,497,711	54,875,571	104,899,810
<b>Comprehensive income</b>					
Loss for the year	-	-	-	(23,618,260)	(23,618,260)
<b>Other comprehensive income</b>					
Exchange differences on the translation of foreign operations	-	-	(46,052,892)	-	(46,052,892)
<b>Total comprehensive loss</b>	-	-	(46,052,892)	(23,618,260)	(69,671,152)
<b>Transaction with owners</b>					
Notional interest on discounted loans from shareholders (note 19)	-	8,011,394	-	-	8,011,394
At 31 December 2015	<u>16</u>	<u>34,537,906</u>	<u>(22,555,181)</u>	<u>31,257,311</u>	<u>43,240,052</u>
At 1 January 2015 (Unaudited)	16	26,526,512	23,497,711	54,875,571	104,899,810
<b>Comprehensive income</b>					
Profit for the period	-	-	-	6,295,058	6,295,058
<b>Other comprehensive income</b>					
Exchange differences on the translation of foreign operations	-	-	751,228	-	751,228
<b>Total comprehensive income</b>	-	-	751,228	6,295,058	7,046,286
<b>Transaction with owners</b>					
Notional interest on discounted loans from shareholders (note 19)	-	3,971,174	-	-	3,971,174
At 30 June 2015 (Unaudited)	<u>16</u>	<u>30,497,686</u>	<u>24,248,939</u>	<u>61,170,629</u>	<u>115,917,270</u>



**APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP**

	Attributable to owners of Property Sky				
	Share capital	Capital contribution reserve	Translation reserve	Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2016	16	34,537,906	(22,555,181)	31,257,311	43,240,052
<b>Comprehensive income</b>					
Profit for the period	-	-	-	35,464,171	35,464,171
<b>Other comprehensive income</b>					
Exchange differences on the translation of foreign operations	-	-	(11,300,763)	-	(11,300,763)
<b>Total comprehensive (loss)/income</b>	-	-	(11,300,763)	35,464,171	24,163,408
<b>Transaction with owners</b>					
Notional interest on discounted loans from shareholders (note 19)	-	7,429,728	-	-	7,429,728
At 30 June 2016	<u>16</u>	<u>41,967,634</u>	<u>(33,855,944)</u>	<u>66,721,482</u>	<u>74,833,188</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 5. Consolidated statements of cash flows

	Year ended 31 December			Six months ended 30 June	
<i>Note</i>	2013	2014	2015	2015	2016
	HK\$	HK\$	HK\$	HK\$	HK\$
				(unaudited)	
<b>Operating activities</b>					
Net cash used in					
operations ( <i>Note 26</i> )	(7,694,765)	(22,532,405)	(14,521,594)	(13,380,498)	(10,142,445)
Interest income received	11,602	35,899	92,050	37,683	79,080
Interest paid on borrowings	(35,197,874)	(38,772,696)	(42,772,390)	(21,780,156)	(17,936,476)
<b>Net cash used in operating activities</b>	(42,881,037)	(61,269,202)	(57,201,934)	(35,122,971)	(27,999,841)
<b>Investing activities</b>					
Additions to investment property	(626,925,965)	(33,669,553)	(41,873,246)	(19,809,824)	(14,339,213)
Purchase of furniture, fixtures and equipment	–	(2,342,457)	(11,176,226)	(746,491)	(1,993,985)
<b>Net cash used in investing activities</b>	(626,925,965)	(36,012,010)	(53,049,472)	(20,556,315)	(16,333,198)
<b>Financing activities</b>					
Bank loan raised	553,041,643	17,073,473	115,458,337	57,706,805	11,086,640
Repayments of bank loan	–	(1,247,000)	(5,900,000)	(624,000)	(47,182,500)
Loans from shareholders	77,600,000	81,000,000	–	–	–
Loan from a related company	–	–	–	–	75,725,000
<b>Net cash generated from financing activities</b>	630,641,643	96,826,473	109,558,337	57,082,805	39,629,140
<b>(Decrease)/increase in cash and cash equivalents</b>	(39,165,359)	(454,739)	(693,069)	1,403,519	(4,703,899)
Cash and cash equivalents at the beginning of the year/period	66,766,832	27,601,473	27,146,734	27,146,734	26,453,665
<b>Cash and cash equivalents at the end of the year/period</b>	15 27,601,473	27,146,734	26,453,665	28,550,253	21,749,766

---

## **APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP**

---

### **II NOTES TO THE FINANCIAL INFORMATION OF PROPERTY SKY**

#### **1 GENERAL INFORMATION**

Property Sky is a limited liability company incorporated in the British Virgin Islands. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Property Sky is principally engaged in investment holding. Its principal subsidiaries are engaged in investment holding and property investment.

For the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2015 and 2016, Property Sky was owned as to 50% by each of Wing Tai Properties (China) (No.2) Limited (“WTPC No.2”), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Wing Tai Properties Limited, incorporated in Bermuda with limited liability, and Keen Achieve Limited (“Keen Achieve”), a company incorporated in the British Virgin Islands with limited liability and a subsidiary of Nan Fung International Holdings Limited, incorporated in British Virgin Islands with limited liability. On 18 July 2016, WTPC No.2 and Keen Achieve entered into an agreement to dispose their entire interest in Property Sky to Natural Apex Limited (“Natural Apex”), incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Jingrui Holdings Limited (the “Company”), incorporated in the Cayman Islands with limited liability. The Transaction was completed on 15 August 2016. After the transaction, Natural Apex became the immediate holding company of Property Sky and the current directors of Property Sky consider that the Company is the ultimate holding company of Property Sky.

The Financial Information is presented in Hong Kong dollars, which is also the functional currency of Property Sky.

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of preparation**

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently to all the periods presented. The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Property Sky Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 to the Financial Information.

As at 30 June 2016, Property Sky Group had a net current liability of HK\$906,982,071. As at 30 June 2016, Property Sky had a net current liability and shareholder’s deficit of HK\$756,747,048 and HK\$197,047 respectively. The Company has confirmed its intention to provide continuing financial support to Property Sky Group and Property Sky so as to enable them to meet their liabilities as and when they fall due and to carry on their businesses without a significant curtailment of operations for the foreseeable future. The directors of the Company believe that Property Sky Group and Property Sky will continue as a going concern and consequently have prepared the Financial Information on the going concern basis.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### *New/revised standards, amendments and improvements*

The following new standards, amendments and improvements relevant to the operations of Property Sky Group have been issued but are not yet effective for the financial year beginning 1 January 2016 or after and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 12	Income Taxes	1 January 2017
Amendments to HKAS 7	Statement of Cash Flows	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

Management of Property Sky has already commenced an assessment of the likely impact of adopting the above new standards but it is not yet in a position to state whether they will have a significant impact on the reporting results of operations and financial position.

#### **(b) Consolidation**

Subsidiaries are entities (including a structured entity) over which Property Sky Group has control. Property Sky Group controls an entity when Property Sky Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to Property Sky Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Company's accounting policies.

#### **(c) Separate financial statements**

In Property Sky's balance sheet, the investment in a subsidiary is stated at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiary are accounted for by Property Sky on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

Impairment testing of the investment in a subsidiary is also required according to Note 2(h).

#### **(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, being the directors of Property Sky, review the performance of Property Sky and allocate resources accordingly. No segmental analysis is prepared since Property Sky Group is mainly engaged in property investment business and operated mainly in the People's Republic of China (the "PRC"). In addition, most of the assets and liabilities of Property Sky Group are located in PRC.

#### **(e) Foreign currency translation**

##### *(i) Functional and presentation currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollar (HK\$), which is Property Sky's functional and presentation currency.

---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within "Finance income/(expense), net". All other foreign exchange gains and losses are presented in the consolidated income statement with "Other income/(losses), net".

### *(iii) Group entities*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rate; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### **(f) Furniture, fixtures and equipment**

Furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Property Sky Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the profit or loss during the year or period in which they are incurred.

Depreciation of furniture, fixtures and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives of 5 years.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses arising on disposals are determined by comparing the proceeds with the carrying amount and are recognised as "Other income/(losses), net" in the consolidated statements of comprehensive income.

### **(g) Investment property**

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, Property Sky Group uses alternative valuation methods such as recent prices on less active markets, income capitalisation valuation techniques or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement in fair value gains or losses on investment properties.

Property that is currently being constructed or developed for future use as an investment property is classified as investment property and stated at fair value. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed, whichever is earlier. Any difference between the fair value of the property at that date and its then carrying amount shall be recognised in the consolidated income statement.

### **(h) Impairment of investment in a subsidiary and non-financial assets**

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **(i) Trade and other receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are presented as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **(j) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks.

### **(k) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(l) Other payables and accrued charges**

Other payables are classified as current liabilities if payment is due within twelve months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

### **(m) Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the

---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless Property Sky Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

### **(n) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **(i) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Property Sky Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

### *(ii) Deferred income tax*

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising from the difference between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Property Sky Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

### *(iii) Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **(o) Provisions**

Provisions are recognised when Property Sky Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **(p) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the services provided in the ordinary course of Property Sky Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminated sales within Property Sky Group. Revenue is recognised as follows:

Rental income from properties being let under operating leases is recognised on a straight line basis over the lease terms.



---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

### (q) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, Property Sky Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

### (r) Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of Property Sky Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Property Sky Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, Property Sky Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Property Sky Group in independently administrated funds managed by the PRC government.

The contributions are recognised as employee benefit expense when they are due.

### (s) Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

Property Sky Group leases certain properties. The leases are classified as finance lease where Property Sky Group has substantially all the risks and rewards incidental to ownership of the leased assets. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property acquired under finance lease is treated as investment property if it meets investment property definition (Note 2(g)).

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

Property Sky Group is exposed to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. Property Sky Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Property Sky Group's financial performance.

#### (i) Credit risk

Credit risk of Property Sky Group mainly arises from bank balances and rent receivables from tenants.

There is no significant credit risk in relation to the Property Sky Group's bank balances as the bank deposits are placed with reputable banks with high credit rating.

For rent receivables from tenants, credit checks are part of the normal leasing process. Property Sky Group normally received deposits for leases to tenants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At each balance sheet date, Property Sky Group reviews the recoverable amount of each individual trade receivables to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### (ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances. Property Sky Group manages liquidity risk by maintaining sufficient cash and obtaining funding from its shareholders and a related company and other short-term and long-term borrowings for its operation.

The table below analyses Property Sky Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and approximate their fair values.

	Within 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$	Total HK\$
As at 31 December 2013					
Other payables and accrued charges	4,711,913	–	–	–	4,711,913
Amount due to shareholder	20,634	–	–	–	20,634
Amount due to related companies	634,797	–	–	–	634,797
Loans from shareholders	–	675,600,000	–	–	675,600,000
Bank loans and interest thereon	42,316,329	39,811,405	263,182,700	463,738,303	809,048,737
	<u>47,683,673</u>	<u>715,411,405</u>	<u>263,182,700</u>	<u>463,738,303</u>	<u>1,490,016,081</u>
As at 31 December 2014					
Other payables and accrued charges	1,680,959	–	–	–	1,680,959
Amount due to shareholder	25,548	–	–	–	25,548
Amount due to related companies	3,649,543	–	–	–	3,649,543
Loans from shareholders	–	756,600,000	–	–	756,600,000
Finance lease liability	–	–	5,349,630	–	5,349,630
Bank loans and interest thereon	45,572,692	48,832,154	324,341,786	339,426,307	758,172,939
	<u>50,928,742</u>	<u>805,432,154</u>	<u>329,691,416</u>	<u>339,426,307</u>	<u>1,525,478,619</u>
As at 31 December 2015					
Other payables and accrued charges	33,026,097	–	–	–	33,026,097
Amount due to shareholder	31,320	–	–	–	31,320
Amount due to related companies	4,511,396	–	–	–	4,511,396
Loans from shareholders	–	756,600,000	–	–	756,600,000
Finance lease liability	–	5,062,200	–	–	5,062,200
Bank loans and interest thereon	128,819,996	139,097,864	311,923,019	216,749,101	796,589,980
	<u>166,388,809</u>	<u>900,760,064</u>	<u>311,923,019</u>	<u>216,749,101</u>	<u>1,595,820,993</u>
As at 30 June 2016					
Other payables and accrued charges	16,744,552	–	–	–	16,744,552
Amount due to shareholder	36,390	–	–	–	36,390
Amount due to related companies	4,952,078	–	–	–	4,952,078
Loans from shareholders	756,600,000	–	–	–	756,600,000
Loan from a related company and interest thereon	78,187,785	–	–	–	78,187,785
Finance lease liability	–	4,997,850	–	–	4,997,850
Bank loans and interest thereon	104,271,847	144,118,133	297,307,073	158,098,496	703,795,549
	<u>960,792,652</u>	<u>149,115,983</u>	<u>297,307,073</u>	<u>158,098,496</u>	<u>1,565,314,204</u>

---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

### *(iii) Foreign exchange risk*

Property Sky Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from Renminbi. Foreign exchange risk arises from future commercial transactions, Property Sky Group manages its foreign exchange risk by performing regular review and monitoring its foreign exchange exposures.

As at 31 December 2013, 2014 and 2015 and 30 June 2015 and 2016, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, Property Sky Group's post-tax profit/loss for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been HK\$1,004,442 higher/lower, HK\$338,314 higher/lower, HK\$659 higher/lower, HK\$24,037 higher/lower and HK\$619 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of HK dollar denominated bank balances in the book of a subsidiary with net assets not denominated in HK dollars. Similarly, the impact on equity for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 would have been HK\$42,800,000 higher/lower, HK\$43,300,000 higher/lower, HK\$40,400,000 higher/lower, HK\$44,060,000 higher/lower and HK\$42,750,000 higher/lower respectively, mainly as a result of the translation of foreign operation of a subsidiary operating in PRC into the presentation currency of Property Sky Group.

### *(iv) Interest rate risk*

As Property Sky Group has no significant interest-bearing assets (other than bank deposits), Property Sky Group's income and operating cash flows are substantially independent of changes in market interest rates.

Property Sky Group is exposed to changes in interest rates due to its bank loan which bears interest at floating rates and loans from shareholders which are interest-free and discounted at market rates under effective interest method for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016.

Management monitors its interest rate exposure periodically and will consider different sources of funding should the need arises. As the borrowings and loans from shareholders are drawn down specifically for financing the acquisition and development of the investment property, the financing cost was capitalised as part of the investment property under development with no significant impact to the results and equity of Property Sky Group.

As at 31 December 2013 and 2014 and 30 June 2015, if interest rate on borrowings and loans from shareholders had been 50 basis points higher/lower with all other variables held constant, the capitalised interest on "Investment property under development" would have been HK\$6,106,903 higher/lower, HK\$6,520,534 higher/lower and HK\$6,808,133 higher/lower respectively as a result of higher/lower interest expenses on floating rate borrowings.

In addition, as at 31 December 2015 and 30 June 2016 if interest rates on borrowings and loans from shareholders had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year/period would have been HK\$5,189,086 higher/lower and HK\$5,053,491 lower respectively mainly as a result of higher/lower interest expenses on floating rate borrowings.

### **(b) Capital risk management**

Property Sky Group's objectives when managing capital are to safeguard Property Sky Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Property Sky Group may adjust the amount of bank borrowings, loan from a related company and the funding from shareholders. Property Sky Group uses bank borrowings, loan from a related company and funding from its shareholders to finance its operations.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Property Sky Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Estimated fair value of investment property

Property Sky Group's investment property was revalued at the balance sheet date on the open market value basis by independent professional valuer. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuation and assumptions made by the valuer are reasonable, Property Sky Group considers information from comparable current prices in an active market for similar properties, capitalisation rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 11.

#### (b) Taxation

Property Sky Group is subject to income taxes, land appreciation tax and withholding tax in the PRC and Hong Kong as applicable. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. Property Sky Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

Property Sky Group has used presumption that the carrying amount of investment property using fair value model will be recovered through sale. Accordingly, provision for deferred tax is made on revaluation of investment property as there is capital gain tax. If investment property would be recovered through use, provision for deferred tax is made on revaluation of investment property using income tax rate.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

### 5 REVENUE

Property Sky Group is mainly engaged in property investment business and operated principally in the PRC. Revenue represents rental income, and is the only segment revenue of Property Sky Group.

### 6 OTHER INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK\$	HK\$	HK\$	(Unaudited) HK\$	HK\$
Exchange gains/(losses), net	–	–	12	12	(194)
Other gains	73	129,879	9,007	2,745	99,336
	<u>73</u>	<u>129,879</u>	<u>9,019</u>	<u>2,757</u>	<u>99,142</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 7 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June 2015	
	2013 HK\$	2014 HK\$	2015 HK\$	(Unaudited) HK\$	2016 HK\$
Salaries and bonus	2,907,583	2,113,413	3,410,713	1,120,180	2,567,584
Retirement benefits costs, net of negligible forfeited contributions	140,915	488,366	530,788	218,023	381,275
	3,048,498	2,601,779	3,941,501	1,338,203	2,948,859
Less: amount capitalised in an investment property	(2,643,527)	(1,187,612)	(1,394,704)	(833,724)	–
Total staff costs	404,971	1,414,167	2,546,797	504,479	2,948,859
Auditor's remuneration	219,698	223,022	239,579	43,530	–
Depreciation ( <i>Note 12</i> )	65,594	52,944	1,671,676	302,366	1,544,651
Property & other taxes	9,710,638	10,701,127	10,453,016	5,229,913	5,089,516
Sales & marketing expenses	–	1,952,871	355,615	128,651	5,683
Advertising	–	6,855,764	2,900,875	1,460,767	1,637,373
Property management expenses	–	–	4,739,866	1,959,085	3,485,876
Project management fee	–	–	960,000	–	500,000
Travelling expense	728,606	1,952,627	1,104,768	270,248	413,831
Legal and professional fee	611,701	470,280	194,951	147,534	291,772
Leasing operation expenses	–	–	2,096,536	–	1,877,477
Consultancy fee	–	–	–	–	1,624,820
Others	436,679	1,287,651	1,209,485	706,795	659,994
	<u>12,177,887</u>	<u>24,910,453</u>	<u>28,473,164</u>	<u>10,753,368</u>	<u>20,079,852</u>

### 8 BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

#### (i) Directors' remuneration

During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, (i) none of the directors of Property Sky receive any fee or other emoluments in respect of their services to Property Sky Group; (ii) none of the directors of Property Sky waived any emoluments paid or payable by companies comprising Property Sky Group; (iii) no emoluments were paid by Property Sky Group to the directors of Property Sky as an inducement to join or upon joining the Property Sky Group or as compensation for loss of office.

#### (i) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors of Property Sky in respect of their other services in connection with the management of the affairs of Property Sky or its subsidiary undertakings during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016.

#### (ii) Directors' termination benefits

No payment was made to directors of Property Sky as compensation for the early termination of the appointment during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

*(iii) Consideration provided to third parties for making available directors' services*

No payment was made to the former employer of directors of Property Sky for making available the services of them as a director of Property Sky Limited during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016.

*(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

There are no loans, quasi-loans or other dealings in favour of directors of Property Sky, their controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016.

*(v) Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to Property Sky Group's business to which Property Sky was a party and in which a director of Property Sky had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016.

**(ii) Five highest paid individuals**

Emoluments paid to the five highest paid individuals of Property Sky Group are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	(Unaudited) <i>HK\$</i>	<i>HK\$</i>
Basic salaries, allowance and benefits in kind	2,984,149	1,817,092	2,820,065	1,119,345	2,065,959

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	2013	2014	2015	(Unaudited)	2016
Emoluments bands					
HK\$500,000 and below	3	4	3	5	3
HK\$500,001 – HK\$1,000,000	1	1	1	–	2
HK\$1,000,001 – HK\$1,500,000	1	–	1	–	–
	1	–	1	–	–

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 9 FINANCE INCOME/FINANCE COSTS

	Year ended 31 December			Six months ended 30 June 2015	
	2013 HK\$	2014 HK\$	2015 HK\$	(Unaudited) HK\$	2016 HK\$
Finance income					
– bank interest income	11,602	35,899	92,050	37,683	79,080
– exchange gains	–	43,303	146,115	145,087	330
	<u>11,602</u>	<u>79,202</u>	<u>238,165</u>	<u>182,770</u>	<u>79,410</u>
Finance costs					
– interest on bank borrowings	36,415,411	38,772,501	42,798,939	21,688,931	17,548,836
– interest on loan from a related company	–	–	–	–	883,408
– notional interest on discounted loans from shareholders (note 19)	6,368,499	7,261,035	7,946,434	3,962,729	15,441,123
– amounts capitalised	(42,783,910)	(46,033,536)	(28,500,455)	(25,651,660)	–
– exchange losses	2,139,583	–	–	–	–
	<u>2,139,583</u>	<u>–</u>	<u>22,244,918</u>	<u>–</u>	<u>33,873,367</u>

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015, borrowing costs were capitalised at the weighted average rate of 3.7%, 3.6%, 4.2% and 4.2% (unaudited) respectively. No borrowing costs were capitalised for the six months ended 30 June 2016.

### 10 INCOME TAX EXPENSE

No provision for Hong Kong profits tax and current income tax in the PRC have been made as Property Sky Group had no estimated assessable profit in these territories for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016.

The amount of tax (credited)/charged to the consolidated statement of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June 2015	
	2013 HK\$	2014 HK\$	2015 HK\$	(Unaudited) HK\$	2016 HK\$
Deferred income tax liabilities (Note 21)					
– Change in fair value of investment property	17,357,587	(20,531,855)	(4,512,647)	372,363	35,967,590
– Withholding tax on undistributed earnings	4,914,591	(4,337,774)	(1,160,403)	1,402,776	5,760,073
	<u>22,272,178</u>	<u>(24,869,629)</u>	<u>(5,673,050)</u>	<u>1,775,139</u>	<u>41,727,663</u>
Taxation for the year/period					

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

The tax on Property Sky Group's profit before taxation differs from the theoretical amount that would arise using the income tax rate in the PRC as follows:

	Year ended 31 December			Six months ended 30 June 2015	
	2013 HK\$	2014 HK\$	2015 HK\$	(Unaudited) HK\$	2016 HK\$
Profit/(loss) before taxation	41,365,433	(78,781,345)	(29,291,310)	8,070,197	77,191,834
Calculated at corporate income tax rate of 25%	10,341,358	(19,695,336)	(7,322,828)	2,017,549	19,297,959
Expenses not deductible for tax purpose	1,622,924	3,347,533	2,699,738	996,130	3,862,468
Tax losses not recognised	4,136,234	4,959,691	10,856,729	2,956,799	7,961,562
Effect of different tax rates of group companies operating in the other jurisdictions	382,415	643,378	441,763	199,715	79,058
PRC land appreciation tax and other tax on change in fair value of investment property (Note)	1,166,208	(13,049,495)	(14,917,399)	(7,730,440)	6,355,391
Land appreciation tax deductible for calculation of income tax purpose	(291,552)	3,262,374	3,729,350	1,932,610	(1,588,848)
Withholding tax on undistributed earnings	4,914,591	(4,337,774)	(1,160,403)	1,402,776	5,760,073
Taxation for the year/period	<u>22,272,178</u>	<u>(24,869,629)</u>	<u>(5,673,050)</u>	<u>1,775,139</u>	<u>41,727,663</u>

Note: PRC land appreciation tax ("LAT") is provided at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

At 31 December 2013, 2014 and 2015 and at 30 June 2015 and 2016, Property Sky Group has unused tax losses of approximately HK\$36,200,000, HK\$58,000,000, HK\$115,600,000, HK\$69,000,000 and HK\$165,600,000 available for offsetting against future profits. Potential deferred tax asset has not been recognised in the financial statements of Property Sky Group as it is uncertain whether the asset will crystallise in the foreseeable future. For the years ended 31 December 2013, 2014 and 2015 and 30 June 2015 and 2016, included in unrecognised tax losses are losses of HK\$22,200,000, HK\$36,300,000, HK\$88,800,000, HK\$45,000,000 and HK\$137,900,000 that will expire in the next five years. Other losses may be carried forward indefinitely.

### 11 INVESTMENT PROPERTY

	As of 31 December			As of
	2013 HK\$	2014 HK\$	2015 HK\$	30 June 2016 HK\$
Completed investment property	–	–	1,660,934,803	1,756,554,225
Investment property under development	1,652,183,591	1,638,561,967	–	–
At year/period end	<u>1,652,183,591</u>	<u>1,638,561,967</u>	<u>1,660,934,803</u>	<u>1,756,554,225</u>



## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

	Completed investment property <i>HK\$</i>	Investment property under development <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2013	–	1,456,611,162	1,456,611,162
Additions	–	96,588,602	96,588,602
Exchange differences	–	43,312,599	43,312,599
Gain arising from change in fair value	–	55,671,228	55,671,228
	<u>–</u>	<u>1,652,183,591</u>	<u>1,652,183,591</u>
At 31 December 2013	<u>–</u>	<u>1,652,183,591</u>	<u>1,652,183,591</u>
At 1 January 2014	–	1,652,183,591	1,652,183,591
Additions	–	80,789,368	80,789,368
Exchange differences	–	(40,331,019)	(40,331,019)
Loss arising from change in fair value	–	(54,079,973)	(54,079,973)
	<u>–</u>	<u>(54,079,973)</u>	<u>(54,079,973)</u>
At 31 December 2014	<u>–</u>	<u>1,638,561,967</u>	<u>1,638,561,967</u>
At 1 January 2015	–	1,638,561,967	1,638,561,967
Additions	–	95,677,009	95,677,009
Exchange differences	–	(92,997,353)	(92,997,353)
Gain arising from change in fair value	–	19,693,180	19,693,180
Transfer to completed investment property	1,660,934,803	(1,660,934,803)	–
	<u>1,660,934,803</u>	<u>(1,660,934,803)</u>	<u>–</u>
At 31 December 2015	<u>1,660,934,803</u>	<u>–</u>	<u>1,660,934,803</u>
At 1 January 2015 (Unaudited)	–	1,638,561,967	1,638,561,967
Additions	–	65,663,855	65,663,855
Exchange differences	–	1,653,110	1,653,110
Gain arising from change in fair value	–	18,638,038	18,638,038
	<u>–</u>	<u>18,638,038</u>	<u>18,638,038</u>
At 30 June 2015 (Unaudited)	<u>–</u>	<u>1,724,516,970</u>	<u>1,724,516,970</u>
At 1 January 2016	1,660,934,803	–	1,660,934,803
Exchange differences	(23,217,778)	–	(23,217,778)
Finalisation of construction costs	(5,966,988)	–	(5,966,988)
Gain arising from change in fair value	124,804,188	–	124,804,188
	<u>124,804,188</u>	<u>–</u>	<u>124,804,188</u>
At 30 June 2016	<u>1,756,554,225</u>	<u>–</u>	<u>1,756,554,225</u>

As of 31 December 2014, 2015 and 30 June 2016, investment property of HK\$9,691,518, HK\$9,170,803 and HK\$9,054,225 respectively represented certain properties under a finance lease in which Property Sky Group is the lessee. The lease term is approximately 33 years.

### (a) Valuation processes of the Company

Property Sky Group measures its investment property at fair value. The fair value of Property Sky Group's investment property at 31 December 2013, 2014 and 2015 and 30 June 2016 have been determined on the basis of valuations carried out by independent valuer not related to Property Sky Group. Property Sky Group engaged DTZ to value its investment property as of 31 December 2013, 2014, 2015 and engaged Knight Frank to value its investment property as of 30 June 2016. Discussion of valuation processes and results are held between Property Sky Group's management and respective valuers at each reporting date. At each reporting date Property Sky Group's management:

- verifies all major inputs to the independent valuation report;
- assesses property valuations movements when compared to the prior period valuation report;
- holds discussions with the independent valuer.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### (b) Fair value hierarchy

Property Sky Group's investment property is classified as Level 3 for which inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fair value of investment property is generally derived using the income capitalisation method and wherever appropriate, by direct comparison method.

As of 31 December 2013, 2014 and 2015, investment property within Level 3 fair value hierarchy represents property where fair value is derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings, within the subject properties and other comparable properties.

As of 30 June 2016, investment property within Level 3 fair value hierarchy represents property where fair value is derived using the direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

#### *Significant inputs used to determine fair value of investment property at 31 December 2013, 2014 and 2015 and 30 June 2016*

	Valuation method	Significant unobservable inputs			Estimated costs to completion
		Unit Price	Market rents	Capitalisation rate	
At 31 December 2013 Service apartment and carparks	Income capitalisation and direct comparison	Approximately HK\$98,400 per sqm of service apartment; HK\$255,600 to HK\$461,000 per carpark space	HK\$12 per sq.m per day	around 4.1%	HK\$123,597,000
At 31 December 2014 Service apartment and carparks	Income capitalisation and direct comparison	Approximately HK\$97,300 per sqm of service apartment; HK\$299,300 to HK\$399,000 per carpark space	HK\$12 per sq.m per day	around 4.1%	HK\$113,438,000
At 31 December 2015 Service apartment and carparks	Income capitalisation and direct comparison	Approximately HK\$93,200 per sqm of service apartment; HK\$318,600 to HK\$472,000 per carpark space	HK\$12 per sq.m per day	around 4.1%	–
At 30 June 2016 Service apartment and carparks	Direct comparison	HK\$75,435 to HK\$107,463 per sqm of service apartment; HK\$466,000 per carpark space	N/A	N/A	–

Market rents are estimated based on valuer's view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

Capitalisation rates are estimated by valuer based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Estimated costs to completion are estimated by management based on market conditions at 31 December 2013 and 2014. The higher the costs, the lower the fair value.

Amounts recognised in the consolidated statements of comprehensive income for investment property:

	Year ended 31 December			Six months ended 30 June 2015	
	2013 HK\$	2014 HK\$	2015 HK\$	(unaudited) HK\$	2016 HK\$
Rental income	–	–	1,486,408	–	6,162,313
Direct operating expenses from property that generated rental income	–	–	(2,868,520)	–	(4,514,098)
Direct operating expenses from property that did not generate rental income	<u>(15,019,868)</u>	<u>(24,979,739)</u>	<u>(27,262,137)</u>	<u>(12,386,159)</u>	<u>(15,130,579)</u>
	<u><u>(15,019,868)</u></u>	<u><u>(24,979,739)</u></u>	<u><u>(28,644,249)</u></u>	<u><u>(12,386,159)</u></u>	<u><u>(13,482,364)</u></u>

### 12 FURNITURE, FIXTURES AND EQUIPMENT

	As of 31 December			As of 30 June
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Cost				
At 1 January	235,790	242,429	2,579,005	15,185,775
Additions	–	2,342,457	12,743,299	446,832
Exchange differences	<u>6,639</u>	<u>(5,881)</u>	<u>(136,529)</u>	<u>(192,558)</u>
At year/period end	<u>242,429</u>	<u>2,579,005</u>	<u>15,185,775</u>	<u>15,440,049</u>
Accumulated depreciation				
At 1 January	(92,828)	(162,026)	(210,546)	(1,799,662)
Exchange differences	(3,604)	4,424	82,560	49,959
Charge for the year/period	<u>(65,594)</u>	<u>(52,944)</u>	<u>(1,671,676)</u>	<u>(1,544,651)</u>
At year/period end	<u>(162,026)</u>	<u>(210,546)</u>	<u>(1,799,662)</u>	<u>(3,294,354)</u>
Net book value				
At year/period end	<u><u>80,403</u></u>	<u><u>2,368,459</u></u>	<u><u>13,386,113</u></u>	<u><u>12,145,695</u></u>

### 13 INTERESTS IN A SUBSIDIARY

	As of 31 December			As of 30 June
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Unlisted investments, at cost	1	1	1	1
Loans to a subsidiary	<u>675,550,000</u>	<u>756,550,000</u>	<u>756,550,000</u>	<u>756,550,000</u>
	<u><u>675,550,001</u></u>	<u><u>756,550,001</u></u>	<u><u>756,550,001</u></u>	<u><u>756,550,001</u></u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

Particulars of Property Sky's subsidiaries at 31 December 2013, 2014 and 2015 and 30 June 2016 are as follows:

Name	Place of incorporation	Nominal value of issued and fully paid share capital/paid up capital	Equity interest held by the Company		Principal activity
			Directly	Indirectly	
Estate Success Limited ( <i>Note 1</i> )	Hong Kong	HK\$1	100%	–	Investment holding
豐永(上海)置業有限公司 ( <i>Note 2</i> )	People's Republic of China	At 31 December 2013: RMB550,244,480 At 31 December 2014 and 2015 and 30 June 2016: RMB610,000,000	–	100%	Property investment

Loans to a subsidiary are unsecured, interest-free and not repayable in the foreseeable future.

*Note 1:* The statutory financial statements of the subsidiary for each of the years ended 31 December 2013, 2014 and 2015 were audited by PricewaterhouseCoopers Hong Kong.

*Note 2:* The statutory financial statements of the subsidiary for each of the years ended 31 December 2013, 2014 and 2015 were audited by PricewaterhouseCoopers Zhong Tian LLP.

### 14 TRADE AND OTHER RECEIVABLES

	As of 31 December			As of
	2013	2014	2015	30 June
	HK\$	HK\$	HK\$	2016
				HK\$
Trade receivables	–	–	27,389	68,779
Other receivables	192,069	805,520	1,171,107	990,724
	<u>192,069</u>	<u>805,520</u>	<u>1,198,496</u>	<u>1,059,503</u>

The following is an ageing analysis of the Property Sky Group's trade receivables at 31 December 2013, 2014, 2015 and 30 June 2016, based on the invoice dates:

	As of 31 December			As of
	2013	2014	2015	30 June
	HK\$	HK\$	HK\$	2016
				HK\$
0-30 days	–	–	27,389	68,779

- (a) The carrying amounts of trade and other receivables approximate their fair values.
- (b) As of 31 December 2015 and 30 June 2016, none of the trade receivables were past due but not impaired.
- (c) As of 31 December 2015 and 30 June 2016, all trade receivables were not impaired.
- (d) As of 31 December 2015 and 30 June 2016, all trade receivables were denominated in Renminbi.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the consolidated statements of cash flows include the following:

#### Property Sky Group

	As of 31 December			As of
	2013	2014	2015	30 June
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Bank balances and cash	27,601,473	27,146,734	26,453,665	21,749,766

*Note:* The conversion of RMB denominated balances into foreign currencies and the remittance of cash out of PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Property Sky Group's cash and cash equivalents are denominated in the following currencies:

	As of 31 December			As of
	2013	2014	2015	30 June
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollars	27,245,892	10,533,566	1,074,910	1,017,871
Renminbi ("RMB")	355,581	16,613,168	25,378,755	20,731,895
	27,601,473	27,146,734	26,453,665	21,749,766
Maximum exposure to credit risk	27,594,934	27,123,989	26,396,153	21,737,737

#### Property Sky

	As of 31 December			As of
	2013	2014	2015	30 June
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Bank balances	31,750	23,450	23,250	23,050

Property Sky's cash and cash equivalents are denominated in the following currencies:

	As of 31 December			As of
	2013	2014	2015	30 June
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollars	31,750	23,450	23,250	23,050
Maximum exposure to credit risk	31,750	23,450	23,250	23,050

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 16 SHARE CAPITAL

	As of 31 December			As of 30 June
	2013	2014	2015	2016
Number of authorised shares (US\$1 each)	50,000	50,000	50,000	50,000
	As of 31 December			As of 30 June
	2013	2014	2015	2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Issued and fully paid:				
2 ordinary shares of US\$1 each	16	16	16	16

### 17 RESERVES

Movements in the reserves of Property Sky Group are disclosed in the consolidated statements of changes in equity.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(e).

Movement in reserve of Property Sky is as follows:

	Capital contribution reserve <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2013	11,319,043	(5,026,779)	6,292,264
Loss for the year	–	(6,411,513)	(6,411,513)
<b>Transaction with owners</b>			
Notional interest on discounted loans from shareholders ( <i>note 19</i> )	7,261,035	–	7,261,035
At 31 December 2013	18,580,078	(11,438,292)	7,141,786
At 31 December 2013	18,580,078	(11,438,292)	7,141,786
Loss for the year	–	(7,302,607)	(7,302,607)
<b>Transaction with owners</b>			
Notional interest on discounted loans from shareholders ( <i>note 19</i> )	7,946,434	–	7,946,434
At 31 December 2014	26,526,512	(18,740,899)	7,785,613
At 31 December 2014	26,526,512	(18,740,899)	7,785,613
Loss for the year	–	(7,977,405)	(7,977,405)
<b>Transaction with owners</b>			
Notional interest on discounted loans from shareholders ( <i>note 19</i> )	8,011,394	–	8,011,394
At 31 December 2015	34,537,906	(26,718,304)	7,819,602

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

	Capital contribution reserve HK\$	Accumulated losses HK\$	Total HK\$
At 31 December 2015	34,537,906	(26,718,304)	7,819,602
Loss for the period	–	(15,446,393)	(15,446,393)
<b>Transaction with owners</b>			
Notional interest on discounted loans from shareholders (note 19)	7,429,728	–	7,429,728
At 30 June 2016	41,967,634	(42,164,697)	(197,063)

### 18 BORROWINGS

As at 31 December 2015 and 30 June 2016, entrusted bank loans of HK\$76,700,000 and HK\$29,125,000 were extended to Property Sky Group by Bank of China Limited, which were secured by back-to-back deposits placed by 上海英旭置業有限公司 (Shanghai Yingxu Property Co., Limited), a fellow subsidiary of Keen Achieve. The entrusted bank loans have been subsequently settled by Property Sky Group in cash in August 2016.

Other bank borrowings are secured by the investment property (Note 11).

The bank borrowings are denominated in Renminbi and carry interest at market rate. The carrying amounts approximate their fair values. The maturity of the bank borrowings is as follows:

	As of 31 December			As of
	2013	2014	2015	30 June
	HK\$	HK\$	HK\$	HK\$
Within one year	1,278,000	6,235,000	88,500,000	72,230,000
Between one to two years	1,278,000	12,470,000	104,474,470	118,893,045
Between two to five years	152,082,000	232,804,472	240,720,000	248,145,000
After five years	398,403,643	303,943,705	201,473,129	151,729,530
	553,041,643	555,453,177	635,167,599	590,997,575
Less: amounts due within one year shown under current liabilities	(1,278,000)	(6,235,000)	(88,500,000)	(72,230,000)
Amounts due after one year	551,763,643	549,218,177	546,667,599	518,767,575

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the effective interest rate of the bank borrowings was approximately 7.2%, 7.2%, 6.4% and 5.3% respectively.

### 19 LOANS FROM SHAREHOLDERS

The loans are unsecured, interest-free and denominated in Hong Kong dollars. The shareholders of Property Sky have confirmed that they will not demand for repayment of the loans as of 31 December 2013, 2014 and 2015 within one year from the balance sheet date. The loans are therefore shown in the consolidated statement of financial position and statement of financial position as non-current liabilities and measured at fair values based on cash flows discounted from 1.06% to 1.54% and are within level 3 of the fair value hierarchy. The difference between the carrying amounts and the fair values goes to the capital contribution reserve. The discount rate equals to HIBOR plus appropriate credit rating. The lower the discount rate, the higher the fair value.

As of 30 June 2016, the shareholders of Property Sky have confirmed that loans are classified as repayable on demand due to the commencement of the investment property's operation. The loans are classified as current liabilities in the consolidated statement of financial position and statement of financial position. The carrying amounts of the balances approximate their fair values.

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 20 FINANCE LEASE LIABILITY

The right to the leased asset is reverted to the lessor in the event of default of the lease liability by Property Sky Group.

	As of 31 December			As of
	2013 HK\$	2014 HK\$	2015 HK\$	30 June 2016 HK\$
Gross finance lease liability – minimum lease payments				
Not later than one year	–	–	–	–
Later than one year and not later than five years	–	5,349,630	5,062,200	4,997,850
Later than five years	–	–	–	–
	<u>–</u>	<u>5,349,630</u>	<u>5,062,200</u>	<u>4,997,850</u>
Less: future finance charges on finance lease	–	(1,007,742)	(953,597)	(941,475)
	<u>–</u>	<u>(1,007,742)</u>	<u>(953,597)</u>	<u>(941,475)</u>
Present value of finance lease liability				
Not later than one year	–	–	–	–
Later than one year and not later than five years	–	4,341,888	4,108,603	4,056,375
Later than five years	–	–	–	–
	<u>–</u>	<u>4,341,888</u>	<u>4,108,603</u>	<u>4,056,375</u>
	<u><u>–</u></u>	<u><u>4,341,888</u></u>	<u><u>4,108,603</u></u>	<u><u>4,056,375</u></u>

### 21 DEFERRED INCOME TAX LIABILITIES

The gross movements of the deferred income tax liabilities recognised are as follows:

	Revaluation of property HK\$	Undistributed earnings HK\$	Total HK\$
At 1 January 2013	235,534,671	10,000,000	245,534,671
Exchange differences	6,894,062	–	6,894,062
Charged to statement of comprehensive income	17,357,587	4,914,591	22,272,178
	<u>259,786,320</u>	<u>14,914,591</u>	<u>274,700,911</u>
At 31 December 2013	<u>259,786,320</u>	<u>14,914,591</u>	<u>274,700,911</u>
At 1 January 2014	259,786,320	14,914,591	274,700,911
Exchange differences	(6,105,850)	–	(6,105,850)
Credited to statement of comprehensive income	(20,531,855)	(4,337,774)	(24,869,629)
	<u>233,148,615</u>	<u>10,576,817</u>	<u>243,725,432</u>
At 31 December 2014	<u>233,148,615</u>	<u>10,576,817</u>	<u>243,725,432</u>
At 1 January 2015	233,148,615	10,576,817	243,725,432
Exchange differences	(12,332,856)	–	(12,332,856)
Credited to statement of comprehensive income	(4,512,647)	(1,160,403)	(5,673,050)
	<u>216,303,112</u>	<u>9,416,414</u>	<u>225,719,526</u>
At 31 December 2015	<u>216,303,112</u>	<u>9,416,414</u>	<u>225,719,526</u>
At 1 January 2016	216,303,112	9,416,414	225,719,526
Exchange differences	(3,386,478)	–	(3,386,478)
Charged to statement of comprehensive income	35,967,590	5,760,073	41,727,663
	<u>248,884,224</u>	<u>15,176,487</u>	<u>264,060,711</u>
At 30 June 2016	<u><u>248,884,224</u></u>	<u><u>15,176,487</u></u>	<u><u>264,060,711</u></u>



## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 22 OTHER PAYABLES AND ACCRUED CHARGES

	As of 31 December			As of
	2013	2014	2015	30 June
	HK\$	HK\$	HK\$	HK\$
Property and other taxes payable	5,309,200	5,180,416	5,756,276	163,882
Construction cost payable	2,257,657	468,345	25,486,958	11,497,644
Rental deposits	–	–	1,377,060	1,599,778
Bank loan interest accrual	1,217,537	1,217,342	1,243,891	1,739,659
Project management fee payable	–	–	3,840,000	4,340,000
Others	2,454,255	1,267,613	2,901,791	906,909
	<u>11,238,649</u>	<u>8,133,716</u>	<u>40,605,976</u>	<u>20,247,872</u>

### 23 AMOUNTS DUE TO RELATED COMPANIES/A SHAREHOLDER/A SUBSIDIARY

The amounts due to related companies/a shareholder/a subsidiary are unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars.

The carrying amounts of these balances approximate their fair values.

### 24 LOAN FROM A RELATED COMPANY

The loan from a related company represents a loan extended to Property Sky Group by 上海英旭置業有限公司 (Shanghai Yingxu Property Co., Limited), which is a fellow subsidiary of Keen Achieve, which is unsecured and denominated in Renminbi. As at 30 June 2016, an amount of RMB65,000,000 (equivalent to HK\$75,725,000) bears fixed interest at People's Bank of China 1-year lending rate and is repayable within one year. The loan from a related company of HK\$75,725,000 with accrued interests have been subsequently settled by Property Sky Group in cash in August 2016.

The carrying amount of the balance approximates its fair value.

### 25 OPERATING LEASES

Under the leases entered into by Property Sky Group, the lease payments are fixed and predetermined. At 31 December 2013, 2014 and 2015 and 30 June 2016, the future minimum lease payments under non-cancellable operating leases are payable by Property Sky Group as follows:

	As of 31 December			As of
	2013	2014	2015	30 June
	HK\$	HK\$	HK\$	HK\$
For buildings				
– Within one year	167,495	283,538	–	–
– After one year and not later than five years	168,169	44,630	–	–
	<u>335,664</u>	<u>328,168</u>	<u>–</u>	<u>–</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit/(loss) before income tax to net cash used in operations:

<i>Note</i>	Year ended 31 December			Six months ended 30 June	
	2013 <i>HK\$</i>	2014 <i>HK\$</i>	2015 <i>HK\$</i>	2015 <i>HK\$</i>	2016 <i>HK\$</i>
Profit/(loss) before income tax	41,365,433	(78,781,345)	(29,291,310)	8,070,197	77,191,834
Adjustments for:					
– Bank interest income	(11,602)	(35,899)	(92,050)	(37,683)	(79,080)
– Bank interest expense	–	–	22,244,918	–	33,873,367
– Depreciation	65,594	52,944	1,671,676	302,366	1,544,651
– Change in fair value of investment property	(55,671,228)	54,079,973	(19,693,180)	(18,638,038)	(124,804,188)
Changes in working capital:					
– Decrease/(increase) in trade and other receivables	(159,403)	(613,451)	(392,976)	369,408	138,993
– Increase in amounts due to related companies	2,091	3,014,746	861,853	260,025	440,682
– Decrease in amount due to a shareholder	4,899	4,914	5,772	4,914	5,070
– Increase/(decrease) in other payables and accrued charges	6,709,451	(254,287)	10,163,703	(3,711,687)	1,546,226
Net cash used in operations	<u>(7,694,765)</u>	<u>(22,532,405)</u>	<u>(14,521,594)</u>	<u>(13,380,498)</u>	<u>(10,142,445)</u>

### 27 COMMITMENTS

	As of 31 December			As of
	2013 <i>HK\$</i>	2014 <i>HK\$</i>	2015 <i>HK\$</i>	30 June 2016 <i>HK\$</i>
Expenditure in respect of construction of investment property under development	<u>70,539,740</u>	<u>74,371,695</u>	<u>–</u>	<u>–</u>

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

### 28 RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

Property Sky Group had the following significant transactions with related parties during the year/period:

	Year ended 31 December			Six months ended 30 June	
	2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$	2016 HK\$
Project management fees paid to fellow subsidiaries of a shareholder	3,492,000	3,840,000	3,840,000	1,920,000	500,000
Lifestyle service fee paid to a fellow subsidiary of a shareholder	–	–	1,773,510	1,353,510	428,400
	<u>3,492,000</u>	<u>3,840,000</u>	<u>5,613,510</u>	<u>3,273,510</u>	<u>928,400</u>

The transactions were carried out on terms mutually agreed among all related parties.

#### (b) Related party balances

	As of 31 December			As of
	2013 HK\$	2014 HK\$	2015 HK\$	30 June 2016 HK\$
Loans from shareholders ( <i>note 19</i> )	668,338,965	748,653,566	748,588,605	756,600,000
Amount due to a shareholder ( <i>note 23</i> )	20,634	25,548	31,320	36,390
Amounts due to related companies ( <i>note 23</i> )	634,797	3,649,543	4,511,396	4,952,078
Entrusted bank loans from a related company ( <i>note 18</i> )	–	–	76,700,000	29,125,000
Loan from a related company ( <i>note 24</i> )	–	–	–	75,725,000
	<u>668,994,396</u>	<u>762,328,657</u>	<u>829,831,321</u>	<u>866,438,468</u>

#### (c) Key management compensation

The key management of Property Sky Group are the directors of Property Sky. No remuneration has been paid or is payable for their services rendered to Property Sky group during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016.

### 29 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed elsewhere in this Financial Information, there have been no other significant events subsequent to 30 June 2016 and up to the date of approval of the financial statements.

---

## APPENDIX II ACCOUNTANT'S REPORT ON THE TARGET GROUP

---

### III SUBSEQUENT FINANCIAL STATEMENTS

No dividend or distribution has been declared or made by Property Sky or any entities comprising Property Sky Group in respect of any period subsequent to 30 June 2016. No audited financial statements have been prepared for any of the entities comprising Property Sky Group in respect of any period subsequent to 30 June 2016 and up to the date of this report.

Yours faithfully,

**PricewaterhouseCoopers**

*Certified Public Accountants*

*Hong Kong*

The following management discussion and analysis should be read in conjunction with the accountants' report of the Target Group for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

## **1. BUSINESS REVIEW**

The Target Group is principally engaged in investment holding and property investment business and its operations are entirely in the PRC. Property Sky is an investment holding company incorporated in the British Virgin Islands, the issued share capital of which was held as to 50% and 50% by Keen Achieve and Wing Tai Properties, respectively, before Closing. Property Sky, through HK HoldCo and the Project Company, owns the Property. Apart from the operations associated with the Property, the Target Group has no other business operations. Accordingly, the only revenue of the Target Group is the rental income of the Property.

Upon Closing and as of the date of this circular, each of Property Sky, HK HoldCo and Project Company has become a wholly-owned subsidiary of the Company.

## **2. FINANCIAL REVIEW**

Set out below is certain financial information of the Target Group (on a consolidated basis) for the periods under review:

### **Revenue**

The revenue generated from rental income of the Property represented the only segment revenue of the Target Group.

As the interior fitting of the Property was only completed in August 2015 and the Property was leased to tenants as serviced apartments only after such completion, the Target Group recorded no revenue for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015.

For the year ended 31 December 2015 and the six months ended 30 June 2016, the Target Group recorded consolidated revenue of HK\$1,486,408 and HK\$6,162,313, respectively. The increase in revenue for the six months ended 30 June 2016 was a result of more units of serviced apartments being let when compared with 2015.

### **Cost of sales**

Cost of sales of the Target Group mainly included the apportionment of (i) depreciation of furniture, fixtures and equipment and (ii) property tax and other taxes incurred by the Target Group with respect to the units of serviced apartments being let during the respective periods. Cost of sales also included other direct costs related to letting of serviced apartments such as property management expenses and utility charges.

Since no serviced apartments in the Property have been let out until the second half of 2015, the Target Group recorded no cost of sales for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015.

For the year ended 31 December 2015, the Target Group recorded consolidated cost of sales of HK\$2,868,520. For the six months ended 30 June 2016, the Target Group recorded consolidated cost of sales of HK\$4,514,098. The increase in cost of sales was mainly due to more units of serviced apartments being let when compared with 2015, and therefore higher percentage of depreciation and property tax and other taxes incurred by the Target Group have been apportioned as cost of sales.

### **Gross loss/profit**

For the year ended 31 December 2015, the Target Group recorded gross loss of HK\$1,382,112. For the six months period ended 30 June 2016, the Target Group recorded gross profit of HK\$1,648,215.

### **Other income, net**

Other net income of the Target Group mainly included other gains.

The Target Group recorded a consolidated other net income of HK\$129,879 in the year ended 31 December 2014 compared to the consolidated other net income of HK\$73 in the year ended 31 December 2013. The increase was mainly attributable to a one-off government subsidy obtained and tax refunds during the financial year. The Target Group recorded a consolidated other net income of HK\$9,019 in the year ended 31 December 2015 mainly attributable to tax refunds.

The consolidated other net income of the Target Group for the six months ended 30 June 2016 increased to HK\$99,142 compared to HK\$2,757 in the corresponding period in 2015. The increase was mainly due to forfeiture of several rental deposits and tax refunds.

### **Selling and marketing costs**

The Target Group did not have any selling and marketing costs for the year ended 31 December 2013 as the marketing activities relating to the letting of the serviced apartments did not start until 2014. The Target Group incurred selling and marketing costs of HK\$9,554,961 for the year ended 31 December 2014 mainly due to the promotion related to the pre-launch of serviced apartments project via media, billboard/LED advertisements, showroom exhibitions, etc. to increase public profile and awareness. After the pre-launch promotion, the selling and marketing costs incurred by the Target Group decreased to HK\$3,792,960 for the year ended 31 December 2015.

For the six months ended 30 June 2016, the selling and marketing costs incurred by the Target Group decreased by 8.9% to HK\$1,682,187, compared to HK\$1,846,795 in the corresponding period in 2015 as fewer market promotion activities have been carried out following the commencement of letting of the Property.

**Administrative expenses**

Administrative expenses of the Target Group mainly included (i) staff costs; (ii) depreciation of furniture, fixtures and equipment; and (iii) property tax and other taxes incurred by the Target Group that have not been apportioned as cost of sales. It also includes other administrative expenses such as travelling expenses and project management fee.

The Target Group incurred administrative expenses of HK\$15,355,492 for the year ended 31 December 2014, compared to HK\$12,177,887 for the year ended 31 December 2013, representing an increase by 26.1%, mainly because of an increase in property and other taxes and the increase in travelling expenses incurred by senior management relating to the promotion activities during the financial year. The administrative expenses increased to HK\$21,811,684 for the year ended 31 December 2015, an increase of 42.0% compared to 2014, mainly due to the increase in payroll costs for staff hired for the commencement of letting of the Property and project management fee incurred relating to the serviced apartments.

For the six months ended 30 June 2016, the administrative expenses incurred by the Target Group was HK\$13,883,567, representing an increase of 55.9% compared to HK\$8,906,573 recorded in the corresponding period in 2015 due to more staff was hired following the commencement of letting of the Property.

**Fair value gains/losses on investment properties**

The Target Group measures the Property at fair value. The fair value of the Property at 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 have been determined on the basis of valuations on the Property as of completion carried out by independent valuer not related to Target Group, subtracting the then estimated outstanding construction costs to completion of the Property.

A loss of HK\$54,079,973 in the fair value of the Property was recorded for the year ended 31 December 2014, as compared to a gain of HK\$55,671,228 in the fair value of the Property for the year ended 31 December 2013. The letting of the serviced apartments, which was originally scheduled to commence in 2014, was delayed and therefore, an increase in estimated outstanding construction costs to completion of the Property was recognized in the financial year of 2014 and first half of 2015. Such effect was offset by the positive property market conditions and therefore, the Target Group recorded a final gain on investment property of HK\$19,693,180 for the year ended 31 December 2015. For the six months ended 30 June 2016, the Target Group recorded gain of HK\$124,804,188 in the fair value of the Property mainly due to positive property market conditions in Shanghai.

**Profit/loss from operations**

For the years ended 31 December 2013, 31 December 2014, 31 December 2015 and six months ended 30 June 2016, the Target Group recorded profit from operations of HK\$43,493,414, loss from operations of HK\$78,860,547, loss from operations of HK\$7,284,557 and profit from operations of HK\$110,985,791.

**Finance income/costs**

The finance income of the Target Group mainly comprises interests on bank deposits and exchange gains. The finance costs of the Target Group mainly comprise interests on bank borrowings and other loans, notional interests and exchange losses, offset by the capitalization of finance costs.

The Target Group incurred net finance costs of HK\$2,127,981 for the year ended 31 December 2013 mainly due to exchange losses. The Target Group recorded net finance income of HK\$79,202 for the year ended 31 December 2014 mainly due to increase in bank interest income and exchange gains. The Target Group incurred net finance costs of HK\$22,006,753 for the year ended 31 December 2015 mainly due to increase in interest for new bank borrowings obtained by the Target Group and the decrease in the capitalization of finance costs following the commencement of letting of the Property.

For the six months ended 30 June 2016, the Target Group incurred net finance costs of HK\$33,793,957 as compared to a net finance income of HK\$182,770 in the corresponding period in 2015 mainly due to interest expenses arising from a loan from a related company, an increase in notional interest following increase in shareholders loans, and that finance costs have not been capitalized for the period following the commencement of letting of the Property.

**Income tax expense**

No provisions for Hong Kong profits tax and income tax in the PRC have been made as the Target Group had no estimated assessable profit for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

The amounts of tax (credited)/charged to the consolidated statement of comprehensive income of the Target Group represent deferred income tax liabilities resulting from change in fair value of the Property and withholding tax on undistributed earnings from period to period.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Target Group had unused tax losses of approximately HK\$36,200,000, HK\$58,000,000, HK\$115,600,000 and HK\$165,600,000 available for offsetting against future profits. Out of the amount of HK\$165,600,000 unused tax losses as at 30 June 2016, an amount of HK\$137,900,000 unused tax losses will expire in the next five years.

**Profit/(loss) after tax**

For the three years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2016, the Target Group recorded a consolidated net profit of HK\$19,093,255, net loss of HK\$53,911,716, net loss of HK\$23,618,260 and net profit of HK\$35,464,171 after tax attributable to owners of the Target Group, respectively.



**3. LIQUIDITY AND FINANCIAL RESOURCES****Cash and cash equivalents**

The Target Group financed its working capital requirements primarily with bank borrowings and loans from and amounts due to shareholders and related parties as well as rental income.

As at 31 December 2013, 2014, 2015 and 30 June 2016, the total cash and cash equivalents of the Target Group were HK\$27,601,473, HK\$27,146,734, HK\$26,453,665 and HK\$21,749,766 respectively. The cash and cash equivalents were mainly held in Renminbi with the rest held in Hong Kong dollars.

**Borrowings**

The total amount of bank loans and other loans (including loan from or amounts due to shareholders and related parties) of the Target Group as of 31 December 2013, 2014 and 2015 and 30 June 2016, was HK\$1,222,036,039, HK\$1,307,781,834, HK\$1,388,298,920 and HK\$1,428,311,043, respectively. The breakdown of the borrowings of the Target Group is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK\$	HK\$	HK\$	HK\$
<b>Current borrowings</b>				
Amount due to a shareholder	20,634	25,548	31,320	36,390
Amounts due to related companies	634,797	3,649,543	4,511,396	4,952,078
Loan from a related company	–	–	–	75,725,000
Loan from shareholders	–	–	–	756,600,000
Bank borrowings	1,278,000	6,235,000	88,500,000	72,230,000
<i>Sub-total</i>	<u>1,933,431</u>	<u>9,910,091</u>	<u>93,042,716</u>	<u>909,543,468</u>
<b>Non-current Borrowings</b>				
Bank borrowings				
<i>Repayable in 1 year to 2 years</i>	1,278,000	12,470,000	104,474,470	118,893,045
<i>Repayable in 2 years to 5 years</i>	152,082,000	232,804,472	240,720,000	248,145,000
<i>Repayable over 5 years</i>	398,403,643	303,943,705	201,473,129	151,729,530
	551,763,643	549,218,177	546,667,599	518,767,575
Loans from shareholders	668,338,965	748,653,566	748,588,605	–
<i>Sub-total</i>	<u>1,220,102,608</u>	<u>1,297,871,743</u>	<u>1,295,256,204</u>	<u>518,767,575</u>
<b>Total Borrowings</b>	<u>1,222,036,039</u>	<u>1,307,781,834</u>	<u>1,388,298,920</u>	<u>1,428,311,043</u>

The amounts due to related companies/a shareholder were unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars. As of Closing, all amounts due to related companies/a shareholder have been fully paid and settled by the Sellers.

The loan from a related company was unsecured and denominated in Renminbi. The principal amount of the loan was RMB65,000,000 (equivalent to HK\$75,725,000) and it bears fixed interest at People's Bank of China 1-year lending rate and is repayable within one year. As of Closing, the Purchaser has repaid and settled the loan.

The bank borrowings were denominated in Renminbi and carry interest at market rates. The Entrustment Loans have been secured by back-to-back deposits by Shanghai Yingxu Property Co., Limited and the other bank borrowings have been secured by the Property. As at 31 December 2013, 2014 and 2015 and 30 June 2016, the effective interest rate of the bank borrowings was approximately 7.2%, 7.2%, 6.4% and 5.3%, respectively.

The Shareholders Loans were unsecured, interest-free and denominated in Hong Kong dollars. As of Closing, the Shareholders Loans have been assigned to the Purchaser.

Details of bank borrowings and loan from or amounts due to shareholders and related parties are set out in Notes 18, 19, 23 and 24 to the accountant's report on the Target Group in Appendix II to this circular.

### **Gearing ratios**

The total equity of the Target Group as of 31 December 2013, 2014 and 2015 and 30 June 2016 was HK\$172,081,937, HK\$104,899,810, HK\$43,240,052 and HK\$74,833,188, respectively.

Gearing ratio of the Target Group, which was calculated as total borrowings divided by total equity, was 7.1, 12.5, 32.1 and 19.1 as of 31 December 2013, 2014 and 2015 and 30 June 2016, respectively.

### **4. CHARGE ON ASSETS**

As of 31 December 2013, 2014 and 2015 and 30 June 2016, the Target Group had pledged the Property as security for bank borrowings made available to the Target Group.

As of 31 December 2013, 2014 and 2015 and 30 June 2016, the Target Group had pledged the Property in the carrying amount of HK\$1,652,183,591, HK\$1,638,561,967, HK\$1,660,934,803 and HK\$1,756,554,225, respectively.

### **5. CONTINGENT LIABILITIES**

As of 31 December 2013, 2014 and 2015 and 30 June 2016, the Target Group had no contingent liability.

**6. SIGNIFICANT INVESTMENTS**

Except for the investment in the Property owned by the Target Group, there was no other material investments made or held by the Target Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. The Target Group has no future plans for material investments or capital assets which require funding in the coming year.

**7. MATERIAL ACQUISITIONS AND DISPOSALS**

The Target Group did not have any material acquisitions or disposals of subsidiaries and associated companies in the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

**8. FUNDING AND TREASURY POLICIES**

The Target Group maintains prudent funding and treasury policies towards its overall business operations, with an aim to safeguard its ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The Target Group manages liquidity risk by maintaining sufficient cash and obtain funding from its shareholders and related parties and bank borrowings for its operation. Management also periodically monitored interest rate exposure and accordingly adjust the proportions amongst different sources of funding should need arises.

**9. EMPLOYEES AND REMUNERATION POLICY**

The Target Group remunerated their employees by reference to their qualification, experience, responsibilities and current market conditions. Employees of the Target Group are members of a state-managed retirement benefit scheme operated by the government in the PRC. The Target Group is required to contribute certain percentage of applicable payroll costs to the social benefit schemes to fund the benefits including retirement and medical insurance, housing provident fund and other social protection systems.

As of 31 December 2013, 2014 and 2015 and 30 June 2016, the Target Group had 6, 8, 13 and 13 employees, respectively. Staff costs for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were HK\$3,048,498, HK\$2,601,779, HK\$3,941,501 and HK\$2,948,859, respectively, which mainly included wages and salaries and contributions to various social benefits.

**10. FOREIGN EXCHANGE RISK**

The Target Group mainly operates in the PRC and Hong Kong and is, therefore, exposed to the foreign exchange risk arising from Renminbi which can negatively impact business conditions and financial performance of the Target Group. The Target Group did not do any hedging to mitigate such currency risk.

*The following is a text of letter, summary of values and valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent value, in connection with the valuation as at 30 June 2016 of the market value of the property.*



Knight Frank  
4/F, Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

T +852 2840 1177  
F +852 2840 0600  
[www.knightfrank.com](http://www.knightfrank.com)

The Directors  
Jingrui Holdings Limited  
Unit 09, 43/F  
China Resources Building  
26 Harbour Road  
Hong Kong

23 September 2016

Dear Sirs

**VALUATION OF VARIOUS UNITS AND BASEMENT CAR PARKING SPACES OF UPPER RIVERSIDE, BUILDING NO.3 LOCATED AT LANE 1288, NO 10 PUMING ROAD, PUDONG NEW DISTRICT, SHANGHAI, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with the instructions from Jingrui Holdings Limited (hereinafter referred to as the "Company") for us to value the captioned property interest held by Fengyong (Shanghai) Property Co Ltd in the People's Republic of China (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 market value of the property interest as at 30 June 2016.

**Basis of Valuation**

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

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of an asset or liability is also estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

### **Valuation Methodology**

We have valued the property by using Direct Comparison Approach with reference to market comparable transactions and assumed sale of property with the benefit of vacant possession.

Direct Comparison Method is the most common and reliable valuation approach for valuing property by referencing to comparable market transactions of similar properties. The rationale of this method is to directly relate the market comparable transactions with the subject property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the subject property and the comparable transactions.

### **Title Documents and Encumbrances**

We have been provided with copies of extracts of title documents relating to the property. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company and its PRC legal adviser, Grandall Law Firm (Shanghai) 國浩律師 (上海) 事務所, regarding the title and other legal matters relating to the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restriction and outgoings of an onerous nature which could affect its value.

### **Source of Information**

We have relied to a considerable extent on the information given by the Company and the legal opinion of the Company's PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have accepted advice given by the Company on such matters as planning approvals or statutory notices, easements, tenure, ownership, particulars of occupancy, construction costs, floor and site areas, development proposals and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the property and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Company that no material facts have been omitted from the information provided.

**Inspection and Structural Condition**

We have inspected the property. The inspection was carried out by Mr Kevin Xu, MRICS on 27 July 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

**Identity of Property to be valued**

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property addresses in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

**Environmental Issues**

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

**Remarks**

In preparing our valuation report, we have complied with “The HKIS Valuation Standards (2012 Edition)” published by the Hong Kong Institute of Surveyors and all requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

**Currency**

All money amounts stated are in Renminbi.

Unless otherwise stated, we enclosed herewith our valuation report.

Yours faithfully  
For and on behalf of  
**Knight Frank Petty Limited**  
**Clement W M Leung**  
*MFin MCIREA MHKIS MRICS RPS (GP)*  
*Executive Director*  
*Head of China Valuation*

*Note:* Clement W M Leung MFin, MCIREA, MHKIS, MRICS, RPS(GP), is a qualified valuer and has about 23 years' experience in the valuation of properties in Hong Kong, Macau and Asia Pacific region and has 21 years' experience in the valuation of properties in the People's Republic of China.

The property is held by the Company for sales

### VALUATION REPORT

Property	Description and tenure	Particular of occupancy	Market Value in Existing State as at 30 June 2016
<p>Various Office Units and Basement Car Parking Spaces of Upper Riverside Building No. 3 Located at Lane 1288, No. 10 Puming Road, Pudong New District, Shanghai, The PRC</p>	<p>Upper Riverside is a comprehensive development which is located at the junction of Puming Road and Pujian Road in Pudong New District. It comprises various residential and office buildings completed in 2011.</p> <p>The property being inspected comprises 97 office units of Building No. 3 of Upper Riverside with a total gross floor area of approximately 19,272.60 sq m. The property also comprises 97 basement car parking spaces with a total gross floor area of approximately 3,910.07 sq m.</p> <p>The property is held under a land use rights for a term expiring on 26 February 2048 for commercial, office and residential uses.</p>	<p>Portion of the property with a total gross floor area of 2,984.59 sq m were leased under various tenancies with the last term expiring on February 2018 yielding a total monthly rental of RMB765,000 exclusive of management fee.</p> <p>The remaining portion of the property is vacant.</p>	<p>RMB1,500,000,000</p> <p>Renminbi: One Thousand Five Hundreds Million Only</p>

## Notes:

1. Pursuant to the 97 Shanghai Certificates of Real Estate Ownership issued by the Shanghai Changning Housing and Land Administration Bureau, the title of the property with total gross floor area of approximately 23,182.67 sq m is held by Fengyong (Shanghai) Property Co Ltd (豐永(上海)置業有限公司) with a land use rights term expiring on 26 February 2048 for commercial, office and residential uses. Particulars of the property as stipulated in the Shanghai Certificates of Real Estate Ownership are summarised as follows:

Certificate No.	Address	GFA (Sq m)	
		Office	Basement Car Park
(2013) 003756	No. 10 Lane 1288 Puming Road Room 301	214.08	40.31
(2013) 003807	No. 10 Lane 1288 Puming Road Room 302	116.37	40.31
(2013) 003960	No. 10 Lane 1288 Puming Road Room 303	177.83	40.31
(2013) 005266	No. 10 Lane 1288 Puming Road Room 305	336.68	40.31
(2013) 003455	No. 10 Lane 1288 Puming Road Room 306	84.83	40.31
(2013) 003955	No. 10 Lane 1288 Puming Road Room 501	214.08	40.31
(2013) 003957	No. 10 Lane 1288 Puming Road Room 502	116.37	40.31
(2013) 003959	No. 10 Lane 1288 Puming Road Room 503	177.83	40.31
(2013) 003811	No. 10 Lane 1288 Puming Road Room 505	336.68	40.31
(2013) 003821	No. 10 Lane 1288 Puming Road Room 506	84.83	40.31
(2013) 003819	No. 10 Lane 1288 Puming Road Room 601	214.08	40.31
(2013) 003816	No. 10 Lane 1288 Puming Road Room 602	116.37	40.31
(2013) 003814	No. 10 Lane 1288 Puming Road Room 603	177.83	40.31
(2013) 003812	No. 10 Lane 1288 Puming Road Room 605	336.68	40.31
(2013) 005267	No. 10 Lane 1288 Puming Road Room 606	84.83	40.31
(2013) 003777	No. 10 Lane 1288 Puming Road Room 701	214.08	40.31
(2013) 003312	No. 10 Lane 1288 Puming Road Room 702	116.37	40.31
(2013) 003303	No. 10 Lane 1288 Puming Road Room 703	177.83	40.31
(2013) 005264	No. 10 Lane 1288 Puming Road Room 705	336.68	40.31
(2013) 003969	No. 10 Lane 1288 Puming Road Room 706	84.83	40.31
(2013) 003475	No. 10 Lane 1288 Puming Road Room 801	214.08	40.31
(2013) 003456	No. 10 Lane 1288 Puming Road Room 802	116.37	40.31
(2013) 003461	No. 10 Lane 1288 Puming Road Room 803	177.83	40.31
(2013) 003308	No. 10 Lane 1288 Puming Road Room 805	336.68	40.31
(2013) 003480	No. 10 Lane 1288 Puming Road Room 806	84.83	40.31
(2013) 003321	No. 10 Lane 1288 Puming Road Room 901	214.08	40.31
(2013) 003950	No. 10 Lane 1288 Puming Road Room 902	116.37	40.31
(2013) 003457	No. 10 Lane 1288 Puming Road Room 903	177.83	40.31
(2013) 003459	No. 10 Lane 1288 Puming Road Room 905	336.68	40.31
(2013) 003953	No. 10 Lane 1288 Puming Road Room 906	84.83	40.31
(2013) 003979	No. 10 Lane 1288 Puming Road Room 1001	214.08	40.31
(2013) 005272	No. 10 Lane 1288 Puming Road Room 1002	116.37	40.31
(2013) 003316	No. 10 Lane 1288 Puming Road Room 1003	177.83	40.31
(2013) 003380	No. 10 Lane 1288 Puming Road Room 1005	336.68	40.31
(2013) 003802	No. 10 Lane 1288 Puming Road Room 1006	84.83	40.31
(2013) 003372	No. 10 Lane 1288 Puming Road Room 1101	214.08	40.31
(2013) 003951	No. 10 Lane 1288 Puming Road Room 1102	116.37	40.31
(2013) 003371	No. 10 Lane 1288 Puming Road Room 1103	177.83	40.31
(2013) 003364	No. 10 Lane 1288 Puming Road Room 1105	336.68	40.31
(2013) 003381	No. 10 Lane 1288 Puming Road Room 1106	84.83	40.31
(2013) 003355	No. 10 Lane 1288 Puming Road Room 1201	214.08	40.31
(2013) 003366	No. 10 Lane 1288 Puming Road Room 1202	116.37	40.31
(2013) 003978	No. 10 Lane 1288 Puming Road Room 1203	177.83	40.31
(2013) 005268	No. 10 Lane 1288 Puming Road Room 1205	336.68	40.31
(2013) 003307	No. 10 Lane 1288 Puming Road Room 1206	84.83	40.31
(2013) 003774	No. 10 Lane 1288 Puming Road Room 1501	214.08	40.31
(2013) 005274	No. 10 Lane 1288 Puming Road Room 1502	116.37	40.31
(2013) 005273	No. 10 Lane 1288 Puming Road Room 1503	177.83	40.31



Certificate No.	Address	GFA (Sq m)	
		Office	Basement Car Park
(2013) 003464	No. 10 Lane 1288 Puming Road Room 1505	336.68	40.31
(2013) 003977	No. 10 Lane 1288 Puming Road Room 1506	84.83	40.31
(2013) 003476	No. 10 Lane 1288 Puming Road Room 1601	214.08	40.31
(2013) 003796	No. 10 Lane 1288 Puming Road Room 1602	116.37	40.31
(2013) 003375	No. 10 Lane 1288 Puming Road Room 1603	177.83	40.31
(2013) 003795	No. 10 Lane 1288 Puming Road Room 1605	336.68	40.31
(2013) 003809	No. 10 Lane 1288 Puming Road Room 1606	84.83	40.31
(2013) 003967	No. 10 Lane 1288 Puming Road Room 1701	214.08	40.31
(2013) 003968	No. 10 Lane 1288 Puming Road Room 1702	116.37	40.31
(2013) 003803	No. 10 Lane 1288 Puming Road Room 1703	177.83	40.31
(2013) 003971	No. 10 Lane 1288 Puming Road Room 1705	336.68	40.31
(2013) 003972	No. 10 Lane 1288 Puming Road Room 1706	84.83	40.31
(2013) 003975	No. 10 Lane 1288 Puming Road Room 1801	214.08	40.31
(2013) 003820	No. 10 Lane 1288 Puming Road Room 1802	116.37	40.31
(2013) 003817	No. 10 Lane 1288 Puming Road Room 1803	177.83	40.31
(2013) 003771	No. 10 Lane 1288 Puming Road Room 1805	336.68	40.31
(2013) 005265	No. 10 Lane 1288 Puming Road Room 1806	84.83	40.31
(2013) 003954	No. 10 Lane 1288 Puming Road Room 1901	214.08	40.31
(2013) 003786	No. 10 Lane 1288 Puming Road Room 1902	116.37	40.31
(2013) 003784	No. 10 Lane 1288 Puming Road Room 1903	177.83	40.31
(2013) 003782	No. 10 Lane 1288 Puming Road Room 1905	336.68	40.31
(2013) 003790	No. 10 Lane 1288 Puming Road Room 1906	84.83	40.31
(2013) 003762	No. 10 Lane 1288 Puming Road Room 2001	214.08	40.31
(2013) 003788	No. 10 Lane 1288 Puming Road Room 2002	116.37	40.31
(2013) 003948	No. 10 Lane 1288 Puming Road Room 2003	177.83	40.31
(2013) 003368	No. 10 Lane 1288 Puming Road Room 2005	336.68	40.31
(2013) 003365	No. 10 Lane 1288 Puming Road Room 2006	84.83	40.31
(2013) 003458	No. 10 Lane 1288 Puming Road Room 2101	214.08	40.31
(2013) 003369	No. 10 Lane 1288 Puming Road Room 2102	116.37	40.31
(2013) 003361	No. 10 Lane 1288 Puming Road Room 2103	177.83	40.31
(2013) 003973	No. 10 Lane 1288 Puming Road Room 2105	336.68	40.31
(2013) 005270	No. 10 Lane 1288 Puming Road Room 2106	84.83	40.31
(2013) 005269	No. 10 Lane 1288 Puming Road Room 2201	214.08	40.31
(2013) 005271	No. 10 Lane 1288 Puming Road Room 2202	116.37	40.31
(2013) 005275	No. 10 Lane 1288 Puming Road Room 2203	177.83	40.31
(2013) 003779	No. 10 Lane 1288 Puming Road Room 2205	336.68	40.31
(2013) 003949	No. 10 Lane 1288 Puming Road Room 2206	84.83	40.31
(2013) 003304	No. 10 Lane 1288 Puming Road Room 2301	214.08	40.31
(2013) 003306	No. 10 Lane 1288 Puming Road Room 2302	116.37	40.31
(2013) 003974	No. 10 Lane 1288 Puming Road Room 2303	177.83	40.31
(2013) 003320	No. 10 Lane 1288 Puming Road Room 2305	336.68	40.31
(2013) 003798	No. 10 Lane 1288 Puming Road Room 2306	84.83	40.31
(2013) 003804	No. 10 Lane 1288 Puming Road Room 2501	348.19	40.31
(2013) 003805	No. 10 Lane 1288 Puming Road Room 2502	476.76	40.31
(2013) 003800	No. 10 Lane 1288 Puming Road Room 2601	349.94	40.31
(2013) 003799	No. 10 Lane 1288 Puming Road Room 2602	378.84	40.31
(2013) 003797	No. 10 Lane 1288 Puming Road Room 2701	445.75	40.31
(2013) 003322	No. 10 Lane 1288 Puming Road Room 2702	88.62	40.31
(2013) 003801	No. 10 Lane 1288 Puming Road Room 2801	448.28	40.31

2. We have been provided with the Company's PRC legal adviser's opinion, which inter-alia, contains the followings:

- (i) Fengyong (Shanghai) Property Co Ltd (豐永(上海)置業有限公司) legally owns the land use rights and building ownership of the property;
- (ii) the property is subject to a mortgage.

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group and Property Sky Group (collectively referred to as the “Enlarged Group”) which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of Property Sky Group (the “Transaction”) as if it had taken place on 30 June 2016.

This unaudited pro forma statement of assets and liabilities has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transaction been completed as at 30 June 2016 or at any future date.

**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2016**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2016
		Audited consolidated statement of assets and liabilities of Property Sky Group as at 30 June 2016	Other pro forma adjustments	
	RMB'000 Note 1	RMB'000 Note 2	RMB'000 Note 3	RMB'000 Note 4
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	22,239	10,273	-	32,512
Investment properties	1,562,941	1,485,699	-	3,048,640
Intangible assets	4,010	-	-	4,010
Goodwill	-	-	76,481	76,481
Investments in joint ventures	636,860	-	-	636,860
Deferred income tax assets	431,974	-	-	431,974
Available-for-sale financial assets	237,291	-	-	237,291
Trade and other receivables and prepayments	469,512	-	-	469,512
	<u>3,364,827</u>	<u>1,495,972</u>	-	<u>4,937,280</u>
<b>Current assets</b>				
Prepayments for leasehold land	1,882,434	-	-	1,882,434
Properties held or under development for sale	22,599,814	-	-	22,599,814
Trade and other receivables and prepayments	2,924,198	896	(53,050)	2,872,044
Prepaid income taxes	351,173	-	-	351,173
Restricted cash	1,150,620	-	-	1,150,620
Cash and cash equivalents	3,199,983	18,396	(817,437)	2,390,024
	<u>32,108,222</u>	<u>19,292</u>	-	<u>31,246,109</u>
<b>Total assets</b>	<u><b>35,473,049</b></u>	<u><b>1,515,264</b></u>	-	<u><b>36,183,389</b></u>

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

	Pro forma adjustments				Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2016 RMB'000 Note 1
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016 RMB'000 Note 1	Audited consolidated statement of assets and liabilities of Property Sky Group as at 30 June 2016 RMB'000 Note 2	Other pro forma adjustments		
			RMB'000 Note 3	RMB'000 Note 4	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	7,832,485	438,775	-	-	8,271,260
Financial liabilities for put options written on non-controlling interests	12,921	-	-	-	12,921
Finance lease liability	-	3,431	-	-	3,431
Deferred income tax liabilities	526,067	223,343	-	-	749,410
Derivative financial instrument	2,329	-	-	-	2,329
	<b>8,373,802</b>	<b>665,549</b>	<b>-</b>	<b>-</b>	<b>9,039,351</b>
<b>Current liabilities</b>					
Trade and other payables	4,370,728	20,363	(777)	-	4,390,314
Amounts due to non-controlling interests of subsidiaries	318,931	-	-	-	318,931
Amount due to a shareholder	-	31	-	-	31
Advanced proceeds received from customers	11,758,937	-	-	-	11,758,937
Current income tax liabilities	339,473	-	-	-	339,473
Loans from shareholders	-	639,935	(639,935)	-	-
Loans from a related company	-	65,000	(65,000)	-	-
Borrowings	5,647,728	61,092	(25,000)	-	5,683,820
	<b>22,435,797</b>	<b>786,421</b>	<b>-</b>	<b>-</b>	<b>22,491,506</b>
<b>Total liabilities</b>	<b>30,809,599</b>	<b>1,451,970</b>	<b>-</b>	<b>-</b>	<b>31,530,857</b>
<b>Net assets</b>	<b>4,663,450</b>	<b>63,294</b>	<b>-</b>	<b>-</b>	<b>4,652,532</b>

*Notes to the unaudited pro forma statement of assets and liabilities of the Enlarged Group:*

- (1) The amounts are extracted from the unaudited consolidated balance sheet of the Group as at 30 June 2016 set out in the Company's published interim results announcement for the six months ended 30 June 2016.
- (2) The amounts are extracted from the audited consolidated balance sheet of Property Sky Group as at 30 June 2016 set out in Appendix II to this circular, and are translated from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.845803.
- (3) Upon completion of the Transaction, the Group will own 100% equity interest in Property Sky Group. The identifiable assets and liabilities of Property Sky Group will be accounted for in the consolidated financial statements of the Group at their fair value under acquisition method of accounting, in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

If the Transaction was completed on 30 June 2016, the total consideration for the Transaction would amount to RMB870,487,000 (comprising consideration of RMB139,775,000 for equity interest and consideration of RMB 730,712,000 for purchase of the loan from shareholders and settlement of the outstanding principal together with the accrued interest of the entrusted loans and loan from a related company) according to the formula in the sale and purchase agreement dated on 18 July 2016, among which RMB53,050,000 had been prepaid by the Group in June 2016, and RMB817,437,000 remained unpaid as at 30 June 2016. Assuming that the Transaction had been completed on 30 June 2016, the accounting impact of the Transaction on the Group's assets and liabilities as at 30 June 2016 would be as follows:

	<i>RMB'000</i>
Consideration allocated to the Property	1,349,110
Adjustment of current assets, current liabilities, long term liabilities excluding deferred tax liabilities, loans from shareholders and entrusted loans, loans from a related company and all interest accrued thereon	(1,940,047)
Consideration for purchase of the loans from shareholders	639,935
Consideration for settlement of the entrusted loans and loans from a related company	90,000
Consideration for settlement of all interest accrued of the entrusted loans and loans from a related company	<u>777</u>
Consideration for equity interest in Property Sky Group	<u>139,775</u>
Less: fair value of the identifiable assets and liabilities of Property Sky Group:	
Property, plant and equipment	(10,273)
Investment properties	(1,485,699)
Trade and other receivables and prepayments	(896)
Cash and cash equivalents	(18,396)
Borrowings	499,867
Finance lease liability	3,431
Deferred income tax liabilities	223,343
Trade and other payables	20,363
Amount due to a shareholder	31
Loans from shareholders	639,935
Loans from a related company	<u>65,000</u>
Total identifiable net assets	<u>(63,294)</u>
Goodwill	<u><u>76,481</u></u>

Since the consideration and the value of assets and liabilities of Property Sky Group at the actual completion date may substantially different from the amounts used in the preparation of this unaudited pro forma statement of assets and liabilities, the final amounts of the identifiable net assets and liabilities of Property Sky Group and the related goodwill to be recognised in connection with the Transaction may be different from the amounts presented above.

The directors are of the view that Property Sky Group is a growing business and there are no significant changes with an adverse effect on Property Sky Group that will take place in the near future. Based on such assessment, the directors consider that there is no indication of impairment in the value of goodwill for the purpose of this Unaudited Pro Forma Financial Information.

- (4) The pro forma adjustment represents the estimated amounts for professional fees and other expenses payable by the Enlarge Group for the Transaction.
- (5) Save as aforesaid, no other adjustments have been made to reflect any trading results or other transactions of the Group or Target Group entered into subsequent to 30 June 2016.

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Jingrui Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jingrui Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") and Property Sky Limited and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2016 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages V-1 to V-3 of the Company's circular dated 23 September 2016, in connection with the acquisition of the Target Group (the "Transaction") by the Group. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-3.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2016 as if the Transaction had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Company's published interim results announcement, on which no audit or review report has been published.

### **Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 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").

### **Our Independence and Quality Control**

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Transaction at 30 June 2016 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**Opinion**

In our opinion:

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

**PricewaterhouseCoopers***Certified Public Accountants*

Hong Kong, 23 September 2016

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****(a) Interests of the Directors and the Chief Executive of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Capacity/Nature of Interest	Number of Underlying Shares/ Debentures <sup>(3)</sup>	Approximate % shareholding interest
Beyond Wisdom Limited	Direct interest	480,220,613	37.19
Yan Hao <sup>(1)</sup>	Interest in a controlled corporation	480,220,613 (L)	37.19
Decent King Limited	Direct interest	427,205,918	33.08
Chen Xin Ge <sup>(2)</sup>	Interest of a controlled corporation	427,205,918 (L)	33.08
Xu Chao Hui	Beneficial owner	560,792	0.04
Yang Tie Jun	Beneficial owner	482,675	0.04
Yan Hao	Beneficial owner	US\$21 million of the Company's senior notes due 2018	N/A

*Notes:*

- (1) Mr. Yan owns 100% of Beyond Wisdom Limited. Mr. Yan is therefore deemed to be interested in the 480,220,613 Shares held by Beyond Wisdom Limited. Mr. Yan is the sole director of Beyond Wisdom Limited.
- (2) Mr. Chen owns 100% of Decent King Limited. Mr. Chen is therefore deemed to be interested in the 427,205,918 Shares held by Decent King Limited. Mr. Chen is the sole director of Decent King Limited.
- (3) (L) represents long positions in these securities.



**(b) Substantial shareholders**

As at the Latest Practicable Date, as far as the Directors are aware, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which will be required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Interests in the Company*

Name	Capacity/Nature of Interest	Number of Underlying Shares/ Debentures	Approximate % shareholding interest
RRJ Capital Master Fund II, L.P	Interest in a controlled corporation	87,123,000 (L)	6.75

**(c) Interests in Other Members of the Group**

As at the Latest Practicable Date, the following persons (excluding the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Interests in subsidiaries*

Name of Subsidiary	Name of Shareholder	Registered Capital	Approximate % of Interest
Hangzhou Jinghang Property Co., Ltd.	Shanghai Jiacan Investment Co., Ltd.	RMB100 million	49%
Shanghai Fengxiang Property Development Co., Ltd.	Zhang Bei	RMB100 million	11%
	Gu Jiabin		9%
Shanghai Huajiang Construction and Development Co., Ltd.	Shanghai Liheng Investment Management Co., Ltd.	RMB100 million	15%
	Shanghai House Industry Co., Ltd.		15%

Name of Subsidiary	Name of Shareholder	Registered Capital	Approximate % of Interest
	Shanghai Zongquan Property Co., Ltd.		2.5%
Shanghai Jiaguan Investment Co., Ltd.	Shanghai Honglong Investment Holding Co., Ltd.	RMB30.5 million	34.43%
Shaoxing Jingming Property Co., Ltd.	Riyuecheng Property Co., Ltd.	RMB300 million	49%
Shanghai Pinzhai Decoration Technology Co., Ltd.	Xiang Chong Ma Hongjun	RMB10 million	5% 5%
Shanghai Weishu Information Technology Co., Ltd.	Cai Tiansi	RMB100 million	30%
Suzhou Ailide Trade Co., Ltd.	Kunshan Haigang Investment and Consulting Co., Ltd.	RMB50 million	50%
Taicang Jingshang Property Co., Ltd.	Shanghai Jiading District Real Estate (Group) Co., Ltd. Shanghai Oasis Investment Holding Group Co., Ltd.	RMB150 million	20% 10%
Chongqing Jingteng Property Development Co., Ltd.	Asia Green Property SARL	RMB150 million	49%
Shanghai Xiaoze Investment Co., Ltd.	Tianjin Shengdeli Science and Technology Co., Ltd.	RMB100 million	30%
Shanghai Xiaoyi Investment Co., Ltd.	Shanghai Jiayu Property Co., Ltd. Shenzhen Pingjia Investment and Management Co., Ltd.	RMB0.1 million	35% 15%

**(d) Directors' Service Contracts**

None of the Directors has entered into a service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**(e) Directors' Competing Interests**

As at the Latest Practicable Date, none of the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

**(f) Disclaimers**

Save as disclosed in this circular, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Save as disclosed in this circular, so far as is known to any Director or chief executive of the Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, none of the Directors or experts had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published financial statements of the Company were made up.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

### 3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group which is or may be material within the two years immediately preceding the date of this circular:

- (a) a purchase agreement dated 1 August 2014 entered into between the Company and the Subsidiary Guarantors (as defined therein), and Haitong International Securities Company Limited, UBS AG, Hong Kong Branch, BOCI Asia Limited, CLSA Limited and Guotai Junan Securities (Hong Kong) Limited for the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.625% senior notes due 2019;
- (b) an indenture dated 1 August 2014 entered into between the Company and the Subsidiary Guarantors (as defined therein), and Citicorp International Limited and Citibank, N.A., London Branch in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.625% senior notes due 2019;
- (c) an equitable share mortgage in respect of shares dated 8 August 2014 entered into between the Company and Natural Apex Limited, and Citicorp International Limited in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.625% senior notes due 2019 and the share mortgage over shares owned by the Company and Natural Apex;
- (d) a share charge dated 8 August 2014 entered into between Natural Apex Limited, Decent Pillar Limited, Faithful Gem Limited, Gladly Sheen Limited, Joyful Dawn Limited, Model Sheen Limited, Model Wealth Limited, Sound Pillar Limited, Sheeny Blaze Limited and Sheeny Bright Limited (the “Chargors”), and Citicorp International Limited in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.625% senior notes due 2019 and the share charge over shares owned by the Chargors;
- (e) a purchase agreement dated 23 April 2015 entered into between the Company and the Subsidiary Guarantors (as defined therein), and BOSC International Company Limited, BNP Paribas, acting through its Hong Kong branch, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited and QILU International Capital Limited, for the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.250% senior notes due 2018;
- (f) an indenture dated 30 April 2015 entered into between the Company and the Subsidiary Guarantors (as defined therein), and Citicorp International Limited and Citibank, N.A., London Branch in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.250% senior notes due 2018;

- (g) an equitable share mortgage in respect of shares dated 30 April 2015 entered into between the Company and Natural Apex Limited, and Citicorp International Limited in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.250% senior notes due 2018 and the share mortgage over shares owned by the Company and Natural Apex;
- (h) a share charge dated 30 April 2015 entered into between Natural Apex Limited, Decent Pillar Limited, Faithful Gem Limited, Gladly Sheen Limited, Joyful Dawn Limited, Model Sheen Limited, Model Wealth Limited, Sound Pillar Limited, Sheeny Blaze Limited and Sheeny Bright Limited, and Citicorp International Limited in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.250% senior notes due 2018 and the share charge over shares owned by the Chargors;
- (i) an intercreditor agreement dated 30 April 2015 entered into between the Company and the Subsidiary Guarantor Pledgors (as defined therein), and Citicorp International Limited (as 2019 Senior Notes Trustee), Citicorp International Limited (as 2018 Senior Notes Trustee) and Citicorp International Limited (as Collateral Agent) in connection with the issue and sale of an aggregate of US\$150,000,000 principal amount of 13.250% senior notes due 2018;
- (j) the capital subscription agreement dated 22 June 2016 between Shanghai Jingrui Investment Co., Ltd. (上海景瑞投資有限公司) (as subscriber), an indirect wholly-owned subsidiary of the Company, and Xiamen International Bank Co., Ltd. (廈門國際銀行股份有限公司) (as issuer), pursuant to which Shanghai Jingrui Investment Co., Ltd. subscribed for 84,000,000 subscription shares issued by Xiamen International Bank Co., Ltd. for a total consideration of RMB403.2 million; and
- (k) the Sale and Purchase Agreement, details of which are set out in this circular.

#### **4. LITIGATION AND CLAIMS**

##### **(a) Contractual Arrangements with Contractors**

In September 2010, the Company, through its subsidiary, Taicang Jingrui Property Co., Ltd.\* (太倉景瑞置業有限公司) (“Taicang Jingrui”), entered into a general contractor agreement with Longyuan Construction Group Co., Ltd. (龍元建設集團股份有限公司), or Longyuan Construction. The agreed contract price relating to the contractor work in dispute was approximately RMB170.0 million. Subsequently, Longyuan Construction refused to abide by the initial terms with respect to construction payments as agreed to under the general contractor agreement. In January 2012, the Company and Longyuan Construction entered into an administrative mediation agreement, pursuant to which the Company paid RMB15.0 million of the then outstanding construction consideration to Longyuan Construction and both parties agreed to engage a third party professional construction cost consulting firm to review the contract price. In August 2012, Longyuan Construction brought a lawsuit against Taicang

Jingrui with Suzhou Intermediate People's Court of Jiangsu Province, claiming an amount of approximately RMB97.1 million (being the total outstanding construction consideration and material costs but excluding an aggregate of RMB92.6 million in construction consideration that Taicang Jingrui had previously paid to Longyuan Construction prior to the lawsuit) and other penalty and legal fees in an aggregate amount of approximately RMB4.8 million. Meanwhile, certain residential units under development in Suzhou Jingrui Royal Bay were held in the custody of Suzhou Intermediate People's Court upon Longyuan Construction's request. In September 2012, Taicang Jingrui filed a counterclaim against Longyuan Construction for penalties arising under the contractor agreement. Based on the review and evaluation of third party entities appointed by Suzhou Intermediate People's Court, the evaluated construction consideration was estimated to be approximately RMB136.5 million, but such consideration may not be the final amount. As at 31 December 2012, RMB136.5 million was accrued for the construction costs and reflected in the Company's consolidated financial statements, of which a total of RMB92.6 million had since been paid. In April 2013, the Company paid an additional RMB10.0 million, after which the custody of the residential units was released back to the Company. Furthermore, Longyuan Construction undertook to us in writing that it would not request custody for any of the Company's properties. The Company engaged another general contractor shortly after terminating the agreement with Longyuan Construction and the Company did not experience any delay in delivering these properties to its customers. In July 2013, pursuant to the mediation letter issued by Suzhou Intermediate People's Court, the Company and Longyuan Construction mutually agreed, among other things, that the total construction consideration is determined to be RMB138.0 million and the outstanding amounts payable by the Company to Longyuan Construction are to be comprised of (i) outstanding construction consideration of RMB28.5 million, payable in three installments with RMB10.0 million payable before 31 July 2013, RMB10.0 million before 31 August 2013 and RMB8.5 million before 30 September 2013, and (ii) outstanding warranty deposit of RMB6.8 million, payable in three installments, with RMB2.7 million payable before 30 September 2013, RMB2.7 million before 31 December 2014 and RMB1.4 million before 31 December 2015. As of the Latest Practicable Date, the Company had paid to Longyuan Construction all of the above outstanding construction consideration and warranty deposits, pursuant to the mediation letter. By accepting the mediation letter, the Company and Longyuan Construction have both waived their rights to appeal. The Company considers this matter settled.

In September 2009, the Company, through its subsidiary, Zhoushan Jingrui Property Co., Ltd.\* (舟山景瑞置業有限公司) ("Zhoushan Jingrui"), entered into a general contractor agreement with Hengzun Group Co., Ltd. (恆尊集團有限公司) ("Hengzun Group"), in connection with the construction for part of Zhoushan Jingrui HOPSCA project. The total contract price under the agreement was approximately RMB29.9 million. In July 2012, Hengzun Group filed a lawsuit against Zhoushan Jingrui with the People's Court of Putuo District, Zhoushan, Zhejiang Province, claiming a total outstanding construction consideration of RMB10.3 million plus related fees. The construction of Zhoushan Jingrui HOPSCA had been substantially completed at that time and the Company had already paid a total RMB18.5 million to Hengzun Group under the general contractor agreement. In October 2012, Hengzun Group withdrew the lawsuit and both parties agreed to engage a third party professional construction cost consulting firm to review the contract price. Due to the delay in delivering

the finalized review report by this consulting firm, in March 2013, Hengzun Group filed another lawsuit against Zhoushan Jingrui, claiming a total outstanding construction consideration of RMB10.3 million plus related fees. As of 19 May 2015, the Company and Hengzun Group reached a mediation agreement, pursuant to which Hengzun Group agreed to return RMB250,000 to the Company by no later than 31 May 2015, and upon such payment, both parties agreed they have no further disputes in this case. As of the Latest Practicable Date, Hengzun Group had returned RMB250,000 to the Company.

The construction agreements with Longyuan Construction and Hengzun Group were entered into prior to the full implementation of the Company's standardized project development procedures. The total contract prices of the agreements with these general construction contractors were fixed without the flexibility for adjustment, and was determined by taking into account the then prevailing market prices and limited estimations of fluctuations as to certain costs, primarily related to raw materials or labor. The Company believes the disputes with these contractors were primarily due to the significant increases in the costs and expenses incurred by them during the relevant construction periods, which led to such contractors becoming unsatisfied as to the original construction agreements and decided not to perform under such agreements. To avoid future disputes, the Company has since amended its standard terms of agreements with general construction contractors, which provide certain adjustment to the total contract price based on the suggested standard salary for construction workers issued periodically by the relevant local labor authority during the contract term. On the other hand, the general contractor agreements provide the price ranges for key raw materials, namely steel and concrete, by referring to the average monthly market prices issued by relevant local authorities during the property construction period. By providing the flexibility to adjust the contract price rather than the agreement being strictly based on a pre-determined fixed total price, the Company believes it is now able to better mitigate the potential risks as to disputes between the Company and its general construction contractors regarding the contract price, while continuing to be able to manage any potential cost fluctuations.

**(b) Shanghai Garden City**

On 31 December 2012, a claim for the return of a deposit of RMB30,500,000 and land use rights with a carrying value of RMB23,000,000 as at 31 December 2012 was brought by the Education Bureau of Hongkou District, Shanghai\* (上海市虹口區教育局) (the "Education Bureau") against Shanghai Garden City Real Estate Development Co., Ltd ("Shanghai Garden City"), a subsidiary of the Group, in relation to Shanghai Garden City's failure to construct and deliver a school by May 2007 as agreed pursuant to an agreement (教育配套協議) signed between Shanghai Garden City and the Education Bureau on 20 June 2005 (the "Hongkou Case"). On 23 July 2013, Hongkou District People's Court of Shanghai (上海市虹口區人民法院) delivered a judgment in favor of the Education Bureau, ruling that the Education Bureau is entitled to retain the RMB30,500,000 and to obtain the land use rights in dispute. The Group has filed a petition to appeal the judgement in August 2013. The appeal was dismissed by the Court on 25 December 2015.

Since the Company had transferred 100% of the equity interest in Shanghai Garden City to certain independent third parties on 4 February 2016 pursuant to an equity transfer agreement with such third parties, as set out in the equity transfer agreement, the Company will not be liable for any future potential losses or claims in relation to this litigation upon the completion of the equity transfer, the Company is therefore of the view that the dismissed appeal would not have a material adverse effect on the Company's business, financial condition and operation results.

The Directors believe that these claims, as set out in sub-paragraphs (a) and (b) above, would not have a material adverse effect on the Company's business, financial condition and operation results.

Saved as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

## 5. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants
Knight Frank Petty Limited	Independent property valuer
Grandall Law Firm	PRC legal counsel

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

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.



**6. GENERAL**

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

The joint company secretaries of the Company are Mr. Lee Chian Jie and Ms. Lai Siu Kuen (FCIS, FCS).

The registered office of the Company is situated at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and its principal place of business in Hong Kong is situated at Room 09, 43/F, China Resources Building, 26 Harbour Road, Hong Kong.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 09, 43/F, China Resources Building, 26 Harbour Road, Hong Kong during normal business hours on any weekday (public holidays excluded) from the date of this circular up to and including 6 October 2016:

- (a) the memorandum and articles of association of the Company;
- (b) the accountant's report on the Target Group from PricewaterhouseCoopers as set out in Appendix II to this circular;
- (c) the report on the unaudited pro forma financial information of the Enlarged Group from PricewaterhouseCoopers as set out in Appendix IV to this circular;
- (d) the property valuation report from Knight Frank Petty Limited as set out in Appendix V to this circular;
- (e) the legal opinions issued by Grandall Law Firm, the PRC legal counsel of the Company in respect of property interests of the Target Group;
- (f) the annual reports of the Company for the three financial years ended 31 December 2013, 2014 and 2015;
- (g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (h) the letters of consent referred to in the paragraph headed "Experts and Consent" in this Appendix;
- (i) the circular of the Company dated 13 April 2016 in relation to the acquisition of land use rights in Ningbo, the PRC and the circular of the Company dated 22 April 2016 in relation to the acquisition of land use rights in Suzhou, the PRC; and
- (j) this circular.