THIS CIRCULAR IS IMPORTANT AND REQUEST YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **C&D International Investment Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTERESTS IN THE JOINT VENTURE
(2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE SECOND CAPITAL INCREASE AGREEMENT
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

八方金融有限公司
OCTAL Capital Limited

A notice convening the EGM to be held at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong at 2:30 p.m. on Thursday, 16 March 2017 is set out on pages N-1 to N-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

25 February 2017

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"Acquisitions"	collectively, the Licheng Acquisition and the Zhao Kun Acquisition
"Aggregated Transaction"	the transactions contemplated under the Share Transfer Agreements or the Second Capital Increase Agreement (as the case may be), aggregated with the Previous Transaction
"associate"	has the meaning ascribed to it under the Listing Rules
"Auditors"	Grant Thornton Hong Kong Limited, the Company's auditors
"Board"	the board of Directors
"C&D Real Estate"	C&D Real Estate Corporation Limited, which holds approximately 50.34% interest in the Company as at the Latest Practicable Date
"Company"	C&D International Investment Group Limited (建發國際投資集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Cooperation Agreement"	the cooperation agreement dated 1 December 2015 entered into between Yi Yue and Zhao Run for the formation of the Joint Venture
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group including the Joint Venture and the Target Company following completion of the Acquisitions and the Second Capital Increase
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Thursday, 16 March 2017 at 2:30 p.m. or any adjournment thereof (as the case may be), to consider and approve, among other things, the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement
"First Capital Increase"	the increase of the registered capital of the Target Company from RMB100,000,000 to RMB114,940,000 by capital contribution from Yi Yue

"First Capital Increase Agreement"	the capital increase agreement entered into between Yi Yue, Suzhou Zhaokun and Xiamen Liyuan on 18 August 2016 in relation to the First Capital Increase
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"Group Shareholder Loan"	the shareholder's loan in an aggregate amount of RMB1,897,320,000 obtained by the Company from C&D Real Estate pursuant to the Share Transfer Agreements (i.e. RMB447,410,000) and the Second Capital Increase Agreement (i.e. RMB1,449,910,000)
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, consisting of Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, all being independent non-executive Directors
"Independent Financial Advisor" or "Octal Capital"	Octal Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial advisor appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement
"Independent Property Valuer" or "DTZ"	DTZ Cushman & Wakefield Limited, an independent property valuer
"Independent Shareholders"	Shareholders who are not required to abstain from voting on the relevant resolutions to be considered at the Extraordinary General Meeting
"Jiangsu Construction In Progress"	the major assets held by the Target Company, which mainly comprises the Jiangsu Land
"Jiangsu Land"	a piece of land located in Jiangsu Province, the PRC with a total site area of approximately 224,623.60 sq.m.
"Jiangsu Target Shareholder Loan"	the shareholder loan in the amount of RMB1,320,630,000 to be contributed by Yi Yue to the Target Company pursuant to the Second Capital Increase Agreement

"Joint Venture" or "JV"	Fujian Zhaohe Real Estate Company Limited (福建兆和房地產有限公司), the joint venture formed under the Cooperation Agreement
"Latest Practicable Date"	24 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
"Licheng"	Licheng Enterprise Management Company Limited (廈門利承企業管理有限公司), a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate
"Licheng Acquisition"	the acquisition of 30% of equity interests in the Joint Venture from Licheng by Yi Yue pursuant to the Licheng Share Transfer Agreement
"Licheng Share Transfer Agreement"	the share transfer agreement dated 5 January 2017 entered into between Licheng and Yi Yue in relation to the Licheng Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Perpetual Convertible Bond"	the perpetual convertible bond in an aggregate principal amount of HK$500,000,000 having a denomination of HK$1,000,000 each to be subscribed by Well Land pursuant to the subscription agreement dated 4 December 2016 entered into between the Company and Well Land
"PRC"	The People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Previous Transaction"	collectively, (i) the transactions announced by the Company on 1 December 2015 and 31 December 2015 whereby Yi Yue and Zhao Run entered into a cooperation agreement for the formation of the Joint Venture which subsequently acquired the Zhangzhou Land; (ii) the transaction announced by the Company on 18 August 2016 whereby Yi Yue, Suzhou Zhaokun and Xiamen Liyuan entered into the First Capital Increase Agreement; and (iii) the transactions announced by the Company on 5 January 2017, whereby (a) Yi Yue entered into the Share Transfer Agreements with Zhao Run and Licheng respectively and (b) Yi Yue, Suzhou Zhaokun and Xiamen Liyuan entered into the Second Capital Increase Agreement, as the case may be
"RMB"	Renminbi, the lawful currency of the PRC

"Second Capital Increase"	the increase of the registered capital of the Target Company from RMB114,940,000 to RMB200,000,000 by capital contribution from Yi Yue
"Second Capital Increase Agreement"	the capital increase agreement entered into between Yi Yue, Suzhou Zhaokun and Xiamen Liyuan on 5 January 2017 in relation to the Second Capital Increase
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	the ordinary share(s) of HK$0.1 each of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder Loan Framework Agreement"	the shareholder loan framework agreement dated 11 April 2016 entered into between the Company and C&D Real Estate in relation to the provision of the Group Shareholder Loan
"Share Transfer Agreements"	collectively, the Licheng Share Transfer Agreement and the Zhao Run Share Transfer Agreement
"Share Capital"	the registered share capital of the Target Company
"sq.m."	square metre(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Zhaokun"	Suzhou Zhaokun Real Estate Development Company Limited (蘇州兆坤房地產開發有限公司), a company established with limited liability in the PRC and an indirect subsidiary of C&D Real Estate
"Target Company"	Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司), a company established with limited liability in the PRC
"Vendors"	collectively, Licheng and Zhao Run
"Well Land"	Well Land International Limited (益能國際有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder
"Xiamen Appraisal"	Xiamen City University Assets Appraisal Co. Ltd., an independent property valuer
"Xiamen Liyuan"	Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司), a company established with limited liability in the PRC and an indirect subsidiary of C&D Real Estate

"Yi Yue"	Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司), a company established with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
"Zhangzhou Construction In Progress"	the major assets held by the Joint Venture, which mainly comprises the Zhangzhou Land
"Zhangzhou Land"	a piece of land located at Hubin Road West, Huge Road North (湖濱路以西、湖閣路以北) in Zhangzhou City, Fujian Province, the PRC, with an estimated total site area of 44,828.15 sq.m.
"Zhangzhou Target Shareholder Loan"	the shareholder loan in the amount of RMB404,070,000 to be contributed to the Joint Venture pursuant to the Share Transfer Agreements
"Zhao Run"	Fujian Zhao Run Property Company Limited* (福建兆潤房地產有限公司), a company established with limited liability in the PRC
"Zhao Run Acquisition"	the acquisition of 30% of equity interests in the Joint Venture from Zhao Run by Yi Yue pursuant to the Zhao Run Share Transfer Agreement
"Zhao Run Share Transfer Agreement"	the share transfer agreement dated 5 January 2017 entered into between Zhao Run and Yi Yue in relation to the Zhao Run Acquisition
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of HK$1 to RMB0.89. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* *For identification purpose only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names prevail.*

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1908)

Executive Directors:
Mr. Zhuang Yuekai (庄躍凱) *(Chairman)*
Mr. Shi Zhen (施震)
Ms. Zhao Chengmin (趙呈閩)

Non-executive Directors:
Ms. Wang Xianrong (王憲榕)
Ms. Wu Xiaomin (吳小敏)
Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors:
Mr. Wong Chi Wai (黃馳維)
Mr. Wong Tat Yan, Paul (黃達仁)
Mr. Chan Chun Yee (陳振宜)

Registered office:
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Head office and principal place of business in Hong Kong:
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

25 February 2017

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTERESTS IN THE JOINT VENTURE (2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE SECOND CAPITAL INCREASE AGREEMENT AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to (i) the announcements of the Company dated 1 December 2015, 31 December 2015, 20 January 2016, 18 August 2016 and 5 January 2017 and (ii) the circulars of the Company dated 20 April 2016 and 23 September 2016.

The purpose of this circular is (i) to provide the Shareholders with further information on the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement; (ii) to set out the recommendations from the Independent Board Committee in relation to the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement; (iii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders a notice of the EGM and other information in accordance with the requirements of the Listing Rules.

ENTERING INTO OF THE SHARE TRANSFER AGREEMENTS

INTRODUCTION

References are made to the announcements of the Company dated 1 December 2015 and 30 December 2015, whereby it was announced that (i) Yi Yue, an indirectly wholly-owned subsidiary of the Company, entered into a cooperation agreement with Zhao Run for the formation of the Joint Venture, which was owned as to 40% by Yi Yue and 60% by Zhao Run and (ii) the Joint Venture entered into a supplemental agreement with Zhangzhou Land Bureau and Zhao Run, pursuant to which the Joint Venture acquired the Zhangzhou Land located in Zhangzhou City, Fujian, the PRC. Subsequently, on 28 April 2016, Zhao Run and Licheng entered into an equity transfer agreement pursuant to which Zhao Run agreed to sell and Licheng agreed to purchase 30% of the equity interests in the Joint Venture for a total consideration of RMB15,000,000. Since, both Zhao Run and Licheng are indirect subsidiaries of C&D Real Estate, a controlling Shareholder, the consideration for the share transfer was determined based on commercial negotiation among Zhao Run, Licheng and C&D Real Estate without taking into account the valuation of the assets and liabilities of the Joint Venture, and was thus lower than the consideration under the Share Transfer Agreements. As at the Latest Practicable Date, the registered capital of the Joint Venture is RMB50,000,000, which is owned as to RMB20,000,000 by Yi Yue, RMB15,000,000 by Zhao Run and RMB15,000,000 by Licheng.

The Board is pleased to announce that on 5 January 2017, Yi Yue entered into (i) the Zhao Run Share Transfer Agreement pursuant to which Zhao Run agreed to sell and Yi Yue agreed to purchase 30% equity interests in the Joint Venture; and (ii) the Licheng Share Transfer Agreement pursuant to which Licheng agreed to sell and Yi Yue agreed to purchase 30% equity interests in the Joint Venture.

The cash consideration under each of the Zhao Run Share Transfer Agreement and the Licheng Share Transfer Agreement shall be RMB21,670,000. Yi Yue shall also repay the shareholder's loan in the amount of RMB404,070,000 previously made by Zhao Run and Licheng to the Joint Venture according to the proportion of equity interests to be acquired by Yi Yue.

With effect from completion of the Acquisitions, Yi Yue will hold 100% equity interests in the Joint Venture. The Joint Venture will become a subsidiary of the Company and the financial results of the Joint Venture will be consolidated into the consolidated financial statements of the Company.

Zhao Run Share Transfer Agreement

The principal terms of the Zhao Run Share Transfer Agreement are set out as follows:

Date

5 January 2017

Parties

Vendor:	Zhao Run
Purchaser:	Yi Yue

Assets to be acquired

30% equity interests in the Joint Venture

Consideration

The cash consideration for the Zhao Run Acquisition shall be RMB21,670,000. Yi Yue shall pay the consideration in full to Zhao Run after satisfaction of the conditions precedent under the Zhao Run Share Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB202,035,000 previously made by Zhao Run to the Joint Venture according to the proportion of equity interests to be acquired by Yi Yue.

The cash consideration was determined based on arm's length negotiations between the Company and Zhao Run with reference to the valuation of the total assets and liabilities of the Joint Venture conducted by Xiamen Appraisal, a third party independent of the Group, the connected persons of the Group, C&D Real Estate, Zhao Run and Licheng. As at 30 September 2016, the total assets of the Joint Venture was valued at approximately RMB751,473,000, consisting of (i) net assets of RMB72,234,000 and (ii) total liabilities of RMB679,239,000. The shareholder's loan of RMB202,035,000 is based on approximately 30% of the shareholder's loan of RMB673,444,000 according to the unaudited accounts of the Joint Venture as at 30 September 2016. The valuation of the Joint Venture has been prepared by cost approach and the major assumptions include (i) there will be no significant and unpredictable changes in the existing political, legal, financial or economic conditions which might adversely affect the economy in general and the valuation of the Zhangzhou Land; (ii) the Joint Venture continues to operate in the foreseeable future; (iii) the key management will successfully carry out all necessary activities for the development of the Joint Venture; (iv) the Joint Venture will comply with the applicable laws and regulations; and (v) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values.

Moreover, the Company engaged DTZ, a third party independent of the Group and the connected persons of the Group and/or C&D Real Estate and/or Zhao Run and/or Licheng and/or the Joint Venture, to assess the appraised value of the Zhangzhou Construction In Progress as at 31 December 2016. As at 31 December 2016, the appraised value of the whole Zhangzhou Construction In Progress was approximately RMB798,000,000 with an increase of 6.19% when compared to the assessed value of the total assets of the Joint Venture of approximately RMB751,473,000 as at 30 September 2016. The slight increase of the appraised value is mainly due to the different valuation approaches adopted. While cost approach was adopted by Xiamen Appraisal, direct comparison approach was adopted by DTZ by assuming sale with the benefit of vacant possession in its existing state by referencing comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

Since the major asset held by the Joint Venture is the Zhangzhou Construction In Progress which mainly comprises the Zhangzhou Land and the aggregate consideration under the Share Transfer Agreements is based on valuation of the Zhangzhou Land, the Directors believe that it is sufficient and more appropriate to include the valuation report prepared by DTZ in Appendix IVb of this circular.

Payment of the consideration

Yi Yue will finance the consideration under the Zhao Run Share Transfer Agreement with the Group Shareholder Loan obtained from C&D Real Estate. Pursuant to the Shareholder Loan Framework Agreement entered into between the Company and C&D Real Estate, the interest rate of the Group Shareholder Loan will be based on the benchmark RMB lending rate of the People's Bank of China, and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. Having considered (i) the request by financial institutions to pledge the assets of the Company and (ii) the higher interest rate (at least 10% higher than the benchmark RMB lending rate of the People's Bank of China) that is likely to be charged by financial institutions if loan facilities are to be provided by financial institutions, the Directors considered that the Group Shareholder Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions. As C&D Real Estate is a controlling shareholder and is therefore a connected person of the Company, the entering into of the Shareholder Loan Framework Agreement constituted connected transaction for the Company. As the Group Shareholder Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions and no security over the assets of the Company was granted, the entering into of the Shareholder Loan Framework Agreement was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules. Further details of the Group Shareholder Loan can be found in the Company's announcement dated 11 April 2016. As at the Latest Practicable Date, according to the financial statements of the Group an aggregate of RMB1,059,000,000 Group Shareholder Loan has been drawn down by the Company, which represents the amount (including principal amount of the loan and relevant interest) that the Company is required to repay C&D Real Estate pursuant to the Shareholder Loan Framework Agreement.

As disclosed in the announcement of the Company dated 4 December 2016 and the circular of the Company dated 26 January 2016, on 4 December 2016, the Company as issuer entered into a subscription agreement with Well Land as subscriber, pursuant to which the Company agreed to issue the Perpetual Convertible Bond in an aggregate principal amount of HK$500,000,000 for subscription by Well Land. Based on the initial conversion price of HK$4.6, a maximum of 108,695,652 conversion shares will be issued upon conversion of the Perpetual Convertible Bond. The gross proceeds from the issue of the Perpetual Convertible Bond are expected to be approximately HK$500,000,000. After deducting the related professional fees and all related expenses, the net proceeds from the issue of the Perpetual Convertible Bond will amount to approximately HK$499,400,000. The Company intends to apply all of the proceeds for the partial repayment of the Group Shareholder Loan.

The Directors had considered several ways of equity financing other than financing by the Group Shareholder Loan, such as placing, rights issue and open offer. In respect of the placing, given that a placing of 68,000,000 Shares of the Company has just been completed on 21 December 2016, the Directors considered that it is difficult for placing agents to identify placees without further discount on placing price which will consequently lead to further dilution of the Shareholders' interest. In respect of right issues and open offer, the Directors considered that they may have difficulty finding an independent underwriter in Hong Kong that is interested in fully underwriting the Shares to raise the proposed amount of funds. The Directors considered that even if such an independent underwriter could be identified, the rights issues or open offer would incur costly underwriting commission and the process would be relatively more costly than financing by the Group Shareholder Loan.

Having considered (i) the lower interest rate of the Group Shareholder Loan when compared to the interest rates offered by the financial institutions; (ii) the benefit from the interest rate difference between the Zhangzhou Target Shareholder Loan and the Group Shareholder Loan; (iii) the Group does not have sufficient internal financial resources to settle the consideration based on the cash balance of the Group as at 30 June 2016; and (iv) the Company has considered other alternative fund raising methods which are not only costly and time consuming, but will also lead to further dilution of the Shareholders' interest, the Directors are of the view that the proposed financing method to settle the consideration to be fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Zhao Run Acquisition will be conditional upon the following conditions precedent having been fulfilled:

1. The transactions contemplated under the Zhao Run Share Transfer Agreement having obtained the state-owned assets valuation project filing (國有資產評估項目備案) from the relevant PRC governmental authority(ies), all the necessary consent(s) and approval(s) from the Joint Venture and other third parties; and

2. The granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the transactions contemplated under the Zhao Run Share Transfer Agreement.

Licheng Share Transfer Agreement

The principal terms of the Licheng Share Transfer Agreement are set out as follows:

Date

5 January 2017

Parties

Vendor: Licheng

Purchaser: Yi Yue

Assets to be acquired

30% equity interests in the Joint Venture

Consideration and payment terms

The cash consideration for the Licheng Acquisition shall be RMB21,670,000. Yi Yue shall pay the consideration in full to Licheng after satisfaction of the conditions precedent under the Licheng Share Transfer Agreement. Yi Yue shall also repay the shareholder's loan in the amount of RMB202,035,000 previously made by Licheng to the Joint Venture according to the proportion of equity interests to be acquired by Yi Yue.

Yi Yue will finance the consideration under the Licheng Share Transfer Agreement with the Group Shareholder Loan in the amount of RMB223,705,000, details of the cash consideration and valuation approaches can be referred to the section above headed "Zhao Run Share Transfer Agreement".

Conditions precedent

Completion of the Licheng Acquisition will be conditional upon the following conditions precedent having been fulfilled:

1. The transactions contemplated under the Licheng Share Transfer Agreement having obtained the state-owned assets valuation project filing (國有資產評估項目備案) from the relevant PRC governmental authority(ies), all the necessary consent(s) and approval(s) from the Joint Venture and other third parties; and

2. The granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the transactions contemplated under the Licheng Share Transfer Agreement.

Completion of the Share Transfer Agreements

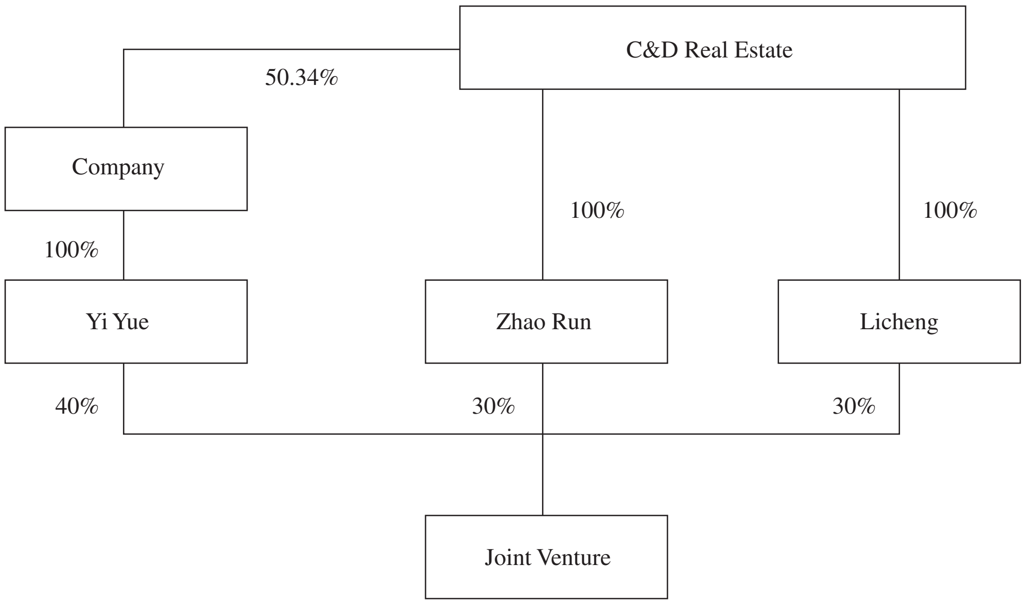
With effect from completion of the Acquisitions, Yi Yue will hold 100% equity interests in the Joint Venture. The Joint Venture will become a subsidiary of the Company and the financial results of the Joint Venture will be consolidated into the consolidated financial statements of the Company.

Completion of the Zhao Run Share Transfer Agreement and the Licheng Share Transfer Agreement is not inter-conditional with each other. If only either the Zhao Run Share Transfer Agreement or the Licheng Share Transfer Agreement is completed which results in the Company holding 70% equity interests in the Joint Venture, the Joint Venture will still become a subsidiary of the Company and the financial results of the Joint Venture will be consolidated into the consolidated financial statements of the Company. Such accounting treatment has been agreed with the Auditors.

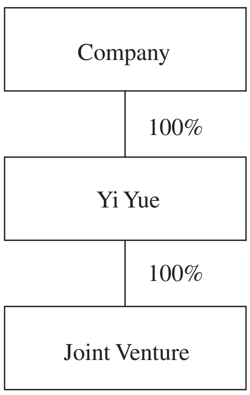
SHAREHOLDING STRUTURE OF THE JOINT VENTURE

The following diagrams show the shareholding structure of the Joint Venture before and immediately after completion of the Acquisitions:

Before completion of the Acquisitions



After completion of the Acquisitions



FINANCIAL INFORMATION OF THE JOINT VENTURE

The Joint Venture was established on 1 December 2015 with a total registered share capital of RMB50,000,000 through the capital contribution of RMB20,000,000 and RMB30,000,000 by Yi Yue and Zhao Run respectively. On 30 December 2015, the Joint Venture entered into a supplemental agreement with the Zhangzhou Land Bureau and Zhao Run, pursuant to which the Joint Venture acquired the Zhangzhou Land with consideration in the amount of RMB655,400,000. As at the Latest Practicable Date, the registered share capital of the Joint Venture is RMB50,000,000, which is owned as to RMB20,000,000 by Yi Yue, RMB15,000,000 by Zhao Run and RMB15,000,000 by Licheng, respectively.

Set out below are certain financial information of the Joint Venture for the period from 1 December 2015 (date of establishment) to 31 December 2015 and the nine months ended 30 September 2016:

	As at 31 December 2015 *(audited)* *(in RMB'000)*	**As at 30 September 2016** *(unaudited)* *(in RMB'000)*
Total assets	657,124	756,127
Net assets	49,967	48,504

	For the period from 1 December 2015 (date of establishment) to 31 December 2015 *(audited)* *(in RMB'000)*	**For the nine months ended 30 September 2016** *(unaudited)* *(in RMB'000)*
Net profit/(loss) before taxation	(44)	(1,666)
Net profit/(loss) after taxation	(33)	(1,463)

REASONS FOR AND BENEFITS OF ENTERING INTO THE ACQUISITIONS

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the provision of construction contractor consultancy service in the PRC.

Zhao Run won the Zhangzhou Land through bidding on 17 November 2015 and transferred the Zhangzhou Land to the Joint Venture on 30 December 2015. The Joint Venture was established as a project company for the development of the Zhangzhou Land on 1 December 2015 (known as project Bi Hu Shuang Xi (碧湖雙璽)). The major asset held by the Joint Venture is the Zhangzhou Construction In Progress which mainly comprises the Zhangzhou Land. On 1 November 2016, the Joint Venture entered into a loan agreement with China Construction Bank (Fujian Province branch), pursuant to which China Construction Bank agreed to grant a loan facility for an aggregate amount of up to RMB500,000,000 to the Joint Venture for a three-year period from 1 November 2016 for the purpose of developing the Zhangzhou Land (the "**Zhangzhou Project**"). The loan facility is guaranteed by C&D Real Estate, which intends to continue to provide guarantee after completion of the Acquisitions. In consideration of the loan granted by China Construction Bank, the Joint Venture will also provide a mortgage over the Zhangzhou Land in favour of China Construction Bank as security for all the liabilities under the loan agreement.

The Zhangzhou Land of approximately 44,828.15 sq.m. in Zhangzhou City of Fujian Province and the relevant land use right for residential use is 70 years. The total planned GFA of the Zhangzhou Land is 191,955 sq.m.. The Zhangzhou Land is expected to accommodate a population of approximately 6,000.

The Zhangzhou Land is located to the west of Hubin Road, Longwen District, Zhangzhou City and north of Huge Road. High-end properties are located to its northeast, and Bihu Lake and an ecological park are located to its south. Overlooking the Jiulong River, the Zhangzhou Land enjoys scenic advantages. Moreover, the Zhangzhou Project is located at the core region of Bihu Ecological Park and has unique natural geographical advantages. The project site is also adjacent to various major transportation routes, including G15 and G76 highways linking up with Xiamen City. Moreover, a new high speed railway line named XianZhang ChengJi METRO R3 Line (廈漳城際軌道R3線), which will start from the existing Zhangzhou North Station, pass through the Zhangzhou Development Zone, and a new station in Xiamen is under construction and is expected to be completed by year 2020. Since the total length of this newly-built line is 68.8 km with a target speed of 120 km per hour, the total travel time from Zhangzhou North Station to Xiamen Station is estimated to be within 60 minutes. The Zhangzhou Land has strong potential for appreciation in property value because of its geographical location.

The Zhangzhou Project is expected to be divided into two phases. The first phase of the Zhangzhou Project (the "**Zhangzhou First Phase**") has already started in June 2016. The pre-sale criteria were met in November 2016, and completion and delivery are expected to take place in October 2018. As for the second phase of the Zhangzhou Project (the "**Zhangzhou Second Phase**"), construction is expected to start in February 2017, with pre-sale criteria expected to be met by July 2017, and completion is expected to take place by April 2019. The estimated capital commitment of the Zhangzhou Project (including the land price) is approximately RMB1,523,980,000.

The Zhangzhou First Phase and the Zhangzhou Second Phase primarily consist of (i) 9 high-rise apartments; (ii) 2 low-rise apartments; and (iii) 964 underground car parking spaces and have a total site area of approximately 44,828 sq.m. with a total GFA of 191,955 sq.m. Set out below are details of the construction progress and sales of the pre-sale unit of the Zhangzhou First Phase as at 30 June and 31 October 2016:

	As at 30 June 2016	**As at 31 October 2016**
Total planned GFA (sq.m.)	191,955	191,955
Total planned GFA completed (sq.m.)	—	10,700
Total % of planned GFA completed	—	5.57%

The total planned GFA completed of the Zhangzhou First Phase as at 30 June and 31 October 2016 were nil and 10,700 sq.m, representing nil%, and 5.74% of the total percentage of planned GFA completed at the respective date. After considering that the Joint Venture has not encountered any delay in the construction of the Zhangzhou First Phase and that the construction of the Zhangzhou Second Phase is expected to start in February 2017, the Directors are of the view that the construction of the Zhangzhou Project is in good progress.

In view of the continued increase in property price of Zhangzhou city and the geographical advantage of the Zhangzhou Land, the Group considers that property development in this region and the Zhangzhou Land present great opportunities, and the Acquisitions are conducted in the ordinary and usual course of business of the Group. The Board believes that the Acquisitions will further improve the position of the Group in the property market in Fujian Province, the PRC.

The Joint Venture is a subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipal government of the PRC. Xiamen C&D Corporation Limited is a conglomerate state-owned enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. Xiamen C&D Corporation Limited ranked 116th of China Top 500 Enterprises in 2015 and has been ranked first of Top 100 Enterprise Groups in Fujian Province consecutively for many years. Given its strong background, solid experience in the real estate industry in the PRC and sound financial conditions, C&D Real Estate can easily gain access to various opportunities in acquiring land parcels and real estate projects. Moreover, the cooperation with Zhao Run and Licheng, both of which are subsidiaries of C&D Real Estate, provides the Group an excellent investment opportunity and position in the property market in Zhangzhou City. It can assist the Group, which is currently at the initial stage in the field of property development, to penetrate into the local upper-middle property market in Zhangzhou City in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

Moreover, as the financial results as well as assets and liabilities of the Joint Venture will be consolidated into the consolidated financial statements of the Group after completion of the Acquisition, this would further increase the scale of assets and profitability of the Group which would be favorable for the continuous and rapid development of the Group's business. Also, as all the directors in the board of the Joint Venture can be solely appointed by Yi Yue, Yi Yue will have full autonomy to manage the operation and utilize the resources of the Joint Venture.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors has material interest in the transactions contemplated under the Share Transfer Agreements or was required to abstain from voting at the Board meeting. Based on the above reasons, the Directors (excluding the independent non-executive Directors, who will express their views after receiving advice from the independent financial adviser) consider that the Acquisitions are 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.

LISTING RULES IMPLICATIONS

As each of Zhao Run and Licheng is a subsidiary of C&D Real Estate, a controlling shareholder, Zhao Run and Licheng are considered as connected persons of the Company. The entering into of the Share Transfer Agreements will therefore constitute a connected transaction under Chapter 14A of the Listing Rules.

As announced by the Company on 18 August 2016, Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue contributed an aggregate amount of RMB517,900,000 and acquired approximately 13% of the registered capital of Suzhou Zhaoxiang. Further, as announced by the Company on 5 January 2017, Yi Yue entered into the Second Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue further contributed an aggregate amount of RMB1,449,910,000 and acquired 37% of the registered capital of Suzhou Zhaoxiang. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Share Transfer Agreements are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Aggregated Transaction exceed 100%, the Aggregated Transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Share Transfer Agreements.

C&D Real Estate (which holds 215,472,000 Shares, representing approximately 50.34% interest in the Company) and its associates shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Share Transfer Agreements at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is interested in the transactions contemplated under the Share Transfer Agreements.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the transactions contemplated under the Share Transfer Agreements. An independent financial adviser has been appointed by the

Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the transactions contemplated under the Share Transfer Agreements are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

ENTERING INTO OF THE SECOND CAPITAL INCREASE AGREEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 18 August 2016, whereby it was announced that Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue contributed an aggregate amount of RMB517,900,000 and acquired approximately 13% of the registered capital of the Target Company.

The Board is pleased to announce that on 5 January 2017, Yi Yue, an indirect wholly-owned subsidiary of the Company, entered into the Second Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which the parties agreed that the registered capital of the Target Company will be further increased from RMB114,940,000 to RMB200,000,000. Yi Yue has agreed to contribute an aggregate amount of RMB1,449,910,000 in cash, including (i) RMB85,060,000 as payment for the registered capital; (ii) RMB44,220,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB1,320,630,000 at an interest rate of 5.8% per annum for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interests to be taken by Yi Yue.

Assuming no further Shares will be issued by the Target Company, upon completion of the Second Capital Increase, Yi Yue will hold 50% of the registered capital of the Target Company as enlarged by the Second Capital Increase in the Target Company. The Target Company will become a subsidiary of the Company as a result of the transaction, and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

Second Capital Increase Agreement

The principal terms of the Second Capital Increase Agreement are set out as follows:

Date

5 January 2017

Parties

1. Yi Yue, a subsidiary of the Company

2. Suzhou Zhaokun

3. Xiamen Liyuan

Consideration

Pursuant to the Second Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB114,940,000 to RMB200,000,000. Yi Yue has agreed to contribute an aggregate amount of RMB1,449,910,000 in cash, including (i) RMB85,060,000 as payment for the registered capital; (ii) RMB44,220,000 as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB1,320,630,000 at an interest rate of 5.8% per annum for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue. The payments for the registered capital and the share premium are based on (i) the assessed value of the net assets of the Target Company of RMB151,970,000 as at 31 March 2016; (ii) the additional 37% equity interest in the Target Company to be contributed by the Company; and (iii) the registered capital of RMB200,000,000 after the Second Capital Increase, such that the Company is required to contribute approximately RMB129,280,000 (RMB151,970,000/(1-50%)x50% less RMB22,700,000 (being the payments for the registered capital and share premium under the First Capital Increase Agreement)) to the Target Company for maintaining its 50% equity interest of the Target Company after the Second Capital Increase.

The equity contribution of RMB129,280,000 under the Second Capital Increase Agreement was determined by the Company after arm's length negotiation among the shareholders of the Target Company based on the valuation of the total assets and liabilities of the Target Company conducted by Xiamen Appraisal, a third party independent of the Group, the connected persons of the Group, C&D Real Estate, Suzhou Zhaokun and Xiamen Liyuan. As at 31 March 2016, the total assets of the Target Company was valued at RMB3,971,070,000, consisting of (i) net assets of RMB151,970,000 and (ii) total liabilities of RMB3,819,100,000. The valuation of the Target Company has been prepared by cost approach and the major assumptions include (i) there will be no significant and unpredictable changes in the existing political, legal, financial or economic conditions which might adversely affect the economy in general and the valuation of the Jiangsu Land; (ii) the Target Company continues to operate in the foreseeable future; (iii) the key management will successfully carry out all necessary activities for development of the Target Company; (iv) the Target Company will comply with the applicable laws and regulations; and (v) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values. On the other hand, the shareholder's loan of RMB1,320,630,000 is based on approximately 37% of the shareholder's loan of RMB3,569,246,000 according to the unaudited accounts of the Target Company as at 30 September 2016.

Moreover, the Company engaged DTZ, a third party independent of the Group and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen Liyuan and/or Yi Yue and/or Target Company, to assess the appraised value of the Jiangsu Construction In Progress as at 31 December 2016. As at 31 December 2016, the appraised value of the whole Jiangsu Construction In Progress was approximately RMB4,184,000,000 with an increase of 5.41% when compared to the assessed value of approximately RMB3,969,450,000 as at 31 March 2016. The valuation has been prepared by direct comparison approach assuming sale with the benefit of vacant possession in its existing state by referencing comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

As the major asset held by the Target Company is the Jiangsu Construction In Progress which mainly comprises the Jiangsu Land and since the aggregate consideration under the Second Capital Increase Agreement is based on valuation of the Jiangsu Land, the Directors believe that it is sufficient and more appropriate to include the valuation report prepared by DTZ in Appendix IVa of this circular.

Payment of the Consideration

Yi Yue will finance the Second Capital Increase with a shareholder's loan in the amount of RMB1,449,910,000 obtained from C&D Real Estate pursuant to the Shareholder Loan Framework Agreement. Further details of the Group Shareholder Loan can be found in the section headed "Consideration and Payment Terms" under "Entering into of the Share Transfer Agreements" and the Company's announcement dated 11 April 2016.

Conditions precedent

Completion of the Second Capital Increase will be conditional upon, among other things, the following conditions precedent having been fulfilled:

1. The transactions contemplated under the Second Capital Increase Agreement having obtained the state-owned assets valuation project filing (國有資產評估項目備案) from the relevant PRC governmental authority(ies), all the necessary consent(s) and approval(s) from the Target Company and other third parties; and

2. The granting of all the necessary approval(s) required under the Listing Rules, including the approval by the Independent Shareholders in respect of the transactions contemplated under the Second Capital Increase Agreement.

Completion

Assuming no further Shares will be issued by the Target Company, upon completion of the Second Capital Increase, Yi Yue will hold 50% of the registered capital of the Target Company as enlarged by the Second Capital Increase in the Target Company. The Target Company will become a subsidiary of the Company as a result of the transaction, and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company. Such accounting treatment has been agreed with the Auditors.

Other major terms

(i) *Board composition*

After the completion of the Second Capital Increase, the board of directors of the Target Company will comprise 3 directors, 2 of whom will be appointed by Yi Yue, 1 of whom will be appointed by Suzhou Zhaokun. The chairman of the board of directors of the Target Company will be elected by simple majority of voting of the board of directors.

(ii) *Profit and loss sharing*

Yi Yue, Suzhou Zhaokun and Xiamen Liyuan will be entitled to share the profit or bear the loss of the Target Company in proportion to their respective equity interest in the Target Company.

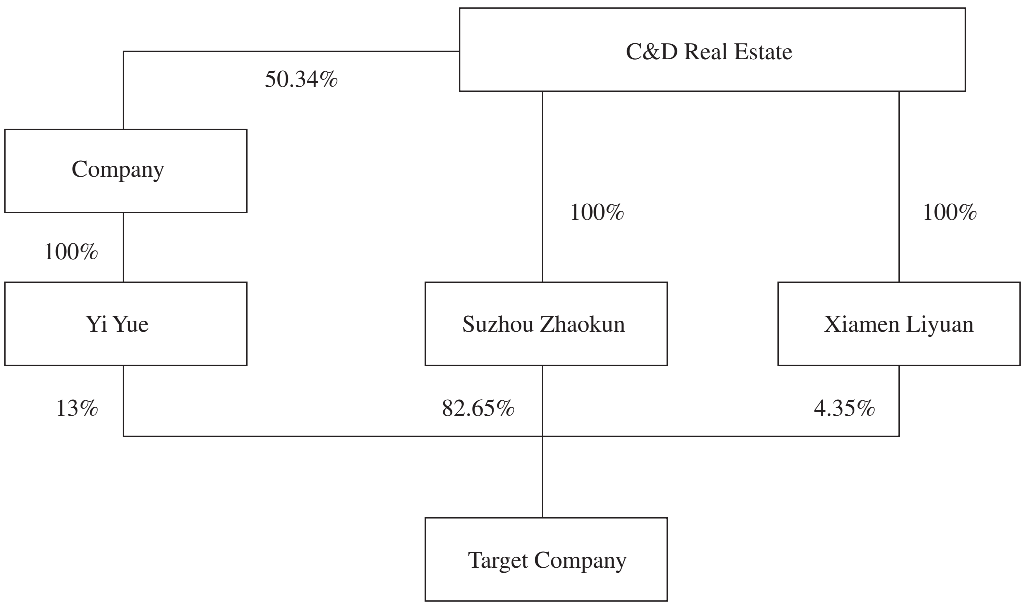
SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The shareholding structure of the Target Company before and immediately after completion of the Second Capital Increase is set out as follows:

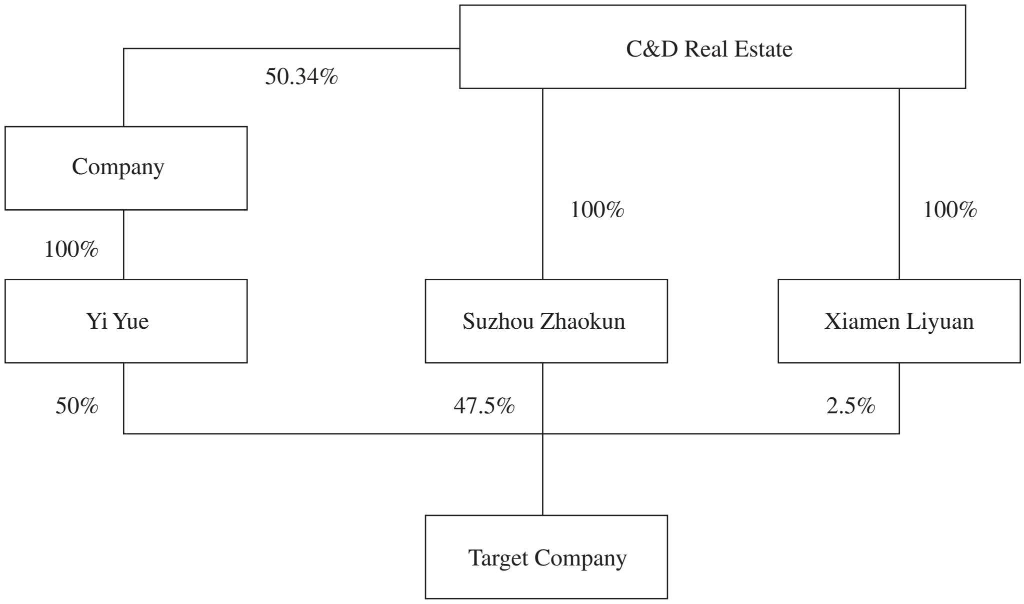
	Before completion of the Second Capital Increase		Immediately after completion of the Second Capital Increase	
Name of shareholder	**Amount of the registered capital of the Target Company** *(in RMB)*	**Percentage**	**Amount of the registered capital of the Target Company** *(in RMB)*	**Percentage**
Suzhou Zhaokun	95,000,000	82.65%	95,000,000	47.5%
Xiamen Liyuan	5,000,000	4.35%	5,000,000	2.5%
Yi Yue	14,940,000	13%	100,000,000	50%
Total	114,940,000	100%	200,000,000	100%

The following diagrams show the shareholding structure of the Target Company before and immediately after completion of the Second Capital Increase:

Before completion of the Second Capital Increase



After completion of the Second Capital Increase



FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are certain financial information of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 and the nine months end 30 September 2016:

	As at 31 December 2015 *(audited)* *(in RMB'000)*	**As at 30 September 2016** *(unaudited)* *(in RMB'000)*
Total assets	3,844,000	4,253,368
Net assets	100,000	88,443

	For the period from 30 October 2015 (date of establishment) to 31 December 2015 *(audited)* *(in RMB'000)*	**For the nine months ended 30 September 2016** *(unaudited)* *(in RMB'000)*
Loss before taxation	—	15,390
Loss after taxation	—	11,557

REASONS FOR AND BENEFITS OF ENTERING INTO THE SECOND CAPITAL INCREASE AGREEMENT

Suzhou Zhaokun won the Jiangsu Land through bidding in August 2015 and transferred the Jiangsu Land to the Target Company in December 2015. The Target Company was established as a project company with a registered capital of RMB100,000,000 on 30 October 2015 for the development of the Jiangsu Land (known as project JiangFa Du Shu Wan (建發 • 獨墅灣). The major asset held by the Target Company is the Jiangsu Construction In Progress which mainly comprises the Jiangsu Land. On 7 July 2016, the Target Company entered into a loan agreement with, among others, Bank of China (Suzhou branch) and Agricultural Bank of China (Suzhou branch), pursuant to which Bank of China and Agricultural Bank of China agreed to grant a loan facility for an aggregate amount of up to RMB2,600,000,000 to the Target Company for a five-year period from 7 July 2016 for the purpose of developing the Jiangsu Land (the "**Jiangsu Project**"). The loan facility is guaranteed by C&D Real Estate, which intends to continue to provide guarantee after completion of the Second Capital increase Agreement. In consideration of the loan granted by Bank of China and Agricultural Bank of China, the Target Company will also provide a mortgage over the Jiangsu Land in favour of Bank of China as security for all the liabilities under the loan agreement.

The Jiangsu Land of approximately 224,623.6 sq.m. in Suzhou of Jiangsu Province and the relevant land use right for residential use is 70 years. The total planned GFA of the Jiangsu Land is 343,684.42 sq. m. for the first and second phases of the project, whereas the third phase of the project is still under planning. The Jiangsu Land is expected to accommodate a population of approximately 6,500.

The Jiangsu Land is located in a lake area in Wuzhong District, Suzhou, Jiangsu Province surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. Moreover, the Jiangsu Land is close to commercial business districts and offers easy access to downtown with the support of well-established transportation network and comprehensive ancillary facilities. Furthermore, a new railway line (the "**2nd Railway Line**") has been constructed and in operation since September 2016. A railway station, named Yin Shan Hu station, has been built near the Jiangsu Land. The 2nd Railway Line not only improves the transportation network amongst the Jiangsu Land and other places in Suzhou, Xiangcheng and Wuzhong districts, but also increases the demand of residential properties built along the 2nd Railway Line including the Jiangsu Land. The Jiangsu Land has strong potential for appreciation in property value because of its geographical location.

The construction plan of the Jiangsu Land has already been well established in December 2015. There will be three phrases of the Jiangsu Project in total. The first phrase of the Jiangsu Project (the "**Jiangsu First Phase**") has started in February 2016 and is expected to be complete in December 2017. The second phrase (the "**Jiangsu Second Phase**") has started in October 2016 and is expected to be completed by August 2018. The last phrase is expected to start in June 2017 and is expected to be completed by June 2020. Apartments ranging from 3 to 4 bedrooms of 90 to 143 sq.m. and villas will be available for sale. The estimated capital commitment of the Jiangsu Project (including the land price) is approximately RMB6,400,000,000.

The Target Company has already obtained pre-sale permit of the Jiangsu First Phase from the relevant real estate development authorities and has started promotion to the market.

Set out below are details of the progress of construction and sales of the pre-sale unit of the Jiangsu First Phase as at 30 June and 31 October 2016:

	As at 30 June 2016	**As at 31 October 2016**
Total planned GFA (sq.m.)	162,753	162,753
Total planned GFA completed (sq.m.)	16,000	34,340
Total % of planned GFA completed	9.83%	21.10%
Total saleable GFA (sq.m.)	—	84,359
Total saleable GFA sold (sq.m.)	—	31,455
Total % of saleable GFA completed	—	37.29%

The total planned GFA completed of the Jiangsu First Phase as at 30 June and 31 October 2016 were 16,000 sq.m. and 34,340 sq.m., representing 9.83% and 21.10% of total percentage of planned GFA completed at the respective date. On the other hand, the total saleable GFA sold of the Jiangsu First Phase as at 30 June and 31 October 2016 were nil and 31,455 sq.m., representing nil% and 37.29% of total percentage of saleable GFA at the respective date. While the construction of the Jiangsu Second Phase has also started, the Directors are of the view that the construction of the Jiangsu Project is in good progress and the sales of the pre-sale units have already reached their target.

The negative cash generated from the operating activities of the Target Company since its establishment was due to the fact that the Target Company was still at the stage of construction in progress and, hence, no positive cash flow has been generated. As mentioned above, it is expected that the development of the Jiangsu Project by the Target Company will be completed in phases, and the sales of properties will commence soon after the sales conditions are fulfilled thereby bringing positive cash flow to the Target Company. It is also noted that the total asset of the Target Company increased from RMB3,861,235,000 in the auditor's report as at 31 March 2016 to RMB4,253,368,000 based on the unaudited financial information of the Target Company for the nine months ended 30 September 2016 mainly because of the onging development of the Jiangsu Construction In Progress. Hence, notwithstanding the negative cash generated from the operating activities of the Target Company since its establishment, based on the information set out above, the future prospect of the Target Company's project is promising.

The Group was particularly interested in the property development opportunities in Suzhou in view of the increasing property prices in that region, the geographical advantages of the Jiangsu Land and the readily available property development projects. The transactions contemplated under the Second Capital Increase Agreement are conducted in the ordinary and usual course of business of the Group. Moreover, the terms under the Second Capital Increase Agreement were determined based on arm's length negotiation between the Company and C&D Real Estate. In order to support the development of the Company and allow the Company to have more involvement in the development of the Jiangsu Land, following the First Capital Increase, C&D Real Estate agreed to further offer a greater proportion of interest in the Target Company to Yi Yue. By increasing the shareholding of Yi Yue from 13% to 50% in the Target Company, the financial results and assets and liabilities of the Target Company would be consolidated into the consolidated financial results of the Company, thereby further increasing the scale of assets and profitability of the Group. Hence, the Board believes that the Second Capital Increase provides an excellent investment opportunity for the Group. Being a holder of 50% equity interest in the Target Company, the Group may benefit from the sharing of the profit arising from the development of the Jiangsu Land through the Target Company, and further broaden the real estate business of the Group.

The Target Company is a subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipal government of the PRC. Xiamen C&D Corporation Limited is a conglomerate state-owned enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. Xiamen C&D Corporation Limited ranked 116th of China Top 500 Enterprises in 2015 and has been ranked first of Top 100 Enterprise Groups in Fujian Province consecutively for many years. Given its strong background, solid experience in the real estate industry in the PRC and sound financial conditions, C&D Real Estate can easily gain access to various opportunities in acquiring land parcels and real estate projects. Moreover, the cooperation with Suzhou Zhaokun and Xiamen Liyuan, both of which are subsidiaries of C&D Real Estate, provides the Group with an excellent investment opportunity and position in the property market in Suzhou. It can assist the Group, which is currently at the initial stage in the field of property development, to penetrate into the local upper-middle property market in Suzhou in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

Further, as set out in the circular of the Company dated 21 April 2016, Yi Yue and Zhao Run formed the Joint Venture for the acquisition of the Zhangzhou Land with a plan to invest in the real estate development projects taking into account the business prospect of the land in Zhangzhou City. To keep on exploring high quality opportunities in real estate projects, Yi Yue has agreed to contribute an aggregate amount of RMB1,967,810,000 in cash to the Target Company for 50% equity interest in the Target Company. Relying on the existing resources such as the Jiangsu Land situated in the prime district in Wuzhong and the preliminary construction work over the Jiangsu Land readily available in the Target Company, Yi Yue can participate financially in the rewarding development of the Jiangsu Land. Moreover, the cooperation with the other two shareholders under C&D Real Estate provides the Group an excellent investment opportunity and position in the property market in Suzhou. It can assist the Group, which is currently at the starting stage in the field of property development, to penetrate the local upper-middle property market in Suzhou in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors has any material interest in the transactions contemplated under the Second Capital Increase Agreement or was required to abstain from voting at the Board meeting. As explained above in the section headed "Consideration" under the Second Capital Increase Agreement, having considered that (i) the total amount of the consideration of the Second Capital Increase is based on the assessed value of net asset and the total liability; (ii) general increase of the housing price in Suzhou; and (iii) the Second Capital Increase will be financed by the Group Shareholder Loan whose interest rate is lower than that of the Jiangsu Target Shareholder Loan to be contributed by Yi Yue to the Target Company, the Directors (excluding the independent non-executive Directors, who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the consideration of the Second Capital Increase Agreement is fair and reasonable. Such Directors also consider that the terms of the Second Capital Increase Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of Suzhou Zhaokun and Xiamen Liyuan is a subsidiary of C&D Real Estate, a controlling shareholder, Suzhou Zhaokun and Xiamen Liyuan are considered as connected persons of the Company. The entering into of the Second Capital Increase Agreement will therefore constitute a connected transaction under Chapter 14A of the Listing Rules.

As announced by the Company on 1 December 2015 and 31 December 2015, Yi Yue and Zhao Run entered into a cooperation agreement for the formation of a joint venture which subsequently acquired a land located in Zhangzhou, Fujian, the PRC. Moreover, as announced by the Company on 5 January 2017, Yi Yue further acquired 60% equity interests in the Joint Venture from the existing shareholders of the Joint Venture. Further, as mentioned above, on 18 August 2016, Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue contributed an aggregate amount of RMB517,900,000 and acquired approximately 13% of the registered capital of the Target Company. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Second Capital Increase Agreement are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Second Aggregated Transaction exceed 25% but are less than 100%, the Aggregated Transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Second Capital Increase Agreement.

C&D Real Estate (which holds 215,472,000 Shares, representing approximately 50.34% interest in the Company) and its associates shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Second Capital Increase Agreement at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this circular, no other Shareholder is interested in the transactions contemplated under the Second Capital Increase Agreement.

An Independent Board Committee consisting of all the independent non-executive Directors will be established to consider and advise the Independent Shareholders on the transactions contemplated under the Second Capital Increase Agreement. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the transactions contemplated under the Second Capital Increase Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF ENTERING INTO OF THE SHARE TRANSFER AGREEMENTS AND THE SECOND CAPITAL INCREASE AGREEMENT

Set out in Appendix III to this circular is the pro forma financial information, with the bases of preparation, of the Group which illustrates the financial impact of the Share Transfer Agreements and the Second Capital Increase Agreement on the assets and liabilities of the Group.

Upon completion of the Acquisitions, the Group will hold the entire issued share capital of the Joint Venture. Consequently, the Joint Venture will be accounted for as a subsidiary of the Company, and the financial results and assets and liabilities of the Joint Venture will be consolidated into the consolidated financial statements of the Company. The accounting treatment of the Joint Venture as a subsidiary of the Company has been agreed with the Auditors.

Further, upon completion of the Second Capital Increase, the Group will hold 50% of the enlarged registered capital of the Target Company. In accordance with the Second Capital Increase Agreement, the Group will be entitled to appoint two directors to the board of directors of the Target Company. The Directors consider that the Group will have significant influence over the Target Company as the shareholding is at 50%. Consequently, the Target Company will be accounted for as a subsidiary of the Company, and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company. The accounting treatment of the Target Company as a subsidiary of the Company has been agreed with the Auditors.

(i) Earnings

Based on the annual report of the Company for the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB13 million. Based on the Share Transfer Agreements and the Second Capital Increase Agreement, the Group will lend the Zhangzhou Target Shareholder Loan in the principal amount of RMB404 million to the Joint Venture and the Jiangsu Target Shareholder Loan in the principal amount of RMB1,321 million to the Target Company respectively, both at an annual interest rate of 5.8% which will be financed by the Group Shareholder Loan in the principal amount of RMB1,725 million to be obtained from C&D Real Estate at an annual interest rate of 4.75%. Upon completion of the Acquisition and the Second Capital Increase, it is expected the Group will record a net annual interest income. As it generally takes more than one year to develop the property projects before its completion, revenue from the pre-sale contracts can only be recognized upon completion of the property projects and the titles of the properties are passed to the customers in stages. Therefore, the earnings of both the Target Company and the Joint Venture and in turn the share of results of them would fluctuate from year to year.

(ii) **Cash flow**

Based on the interim report of the Company for the six months ended 30 June 2016, the Group had cash and bank balances of approximately RMB87 million as at 30 June 2016. Pursuant to the Share Transfer Agreements and the Second Capital Increase Agreement, the consideration will be settled in cash which will be financed by the Group Shareholder Loan. Thus, the cash outflow for the settlement of the consideration will be offset by the cash inflow from the Group Shareholder Loan and there will not be any material impact to the cash flow of the Group.

(iii) **Net asset value**

According to the interim report of the Company for the six months ended 30 June 2016, the consolidated net asset as at 30 June 2016 were approximately RMB886 million. Upon completion of the Acquisition and the Second Capital Increase, in view that the inventories of properties of the Group will increase after recognizing the Zhangzhou Land and Jiangsu Land into the Group, and such increase will be larger than the increase in the shareholder's loan to be used to settle the consideration, the net asset value of the Group will increase.

(iv) **Gearing**

According to the interim report of the Company for the six months ended 30 June 2016, the gearing ratio of the Group as at 30 June 2016 was approximately 35.9%, as derived by dividing the total borrowings of the Group as at 30 June 2016 by the total equity of the Group as at 30 June 2016. After considering the combined effect of the Acquisition, the Second Capital Increase and the issue of the Perpetual Convertible Bond, the liabilities of the Group will increase by the Group Shareholder Loan but offset partly by the repayment of the shareholder's loan by the proceeds generated from the issue of the Perpetual Convertible Bond. On the other hand, the equity will increase by the amount of the Perpetual Convertible Bond as it will be accounted for as equity instrument after the completion of the issue of Perpetual Convertible Bond. Due to the fact that the amount of the Group Shareholder Loan is larger than that of the Perpetual Convertible Bond, the gearing ratio will increase.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the businesses of property development, commercial operation and management, property leasing and the provision of construction consignment and consultancy services.

Licheng is a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate. Licheng is principally engaged in the business of investment management and consultancy in the PRC.

Zhao Run is a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate. Zhao Run is principally engaged in the property development business and operation business in the PRC.

Suzhou Zhaokun is a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate. Suzhou Zhaokun is principally engaged in the property development business in Suzhou.

Xiamen Liyuan is a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate. Xiamen Liyuan is principally engaged in the property investment management business in the PRC.

Yi Yue is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Yi Yue is principally engaged in the property investment and development business in the PRC.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Thursday, 16 March 2017 at 2:30 p.m., to consider and if thought fit, to approve, among other things, the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement. A form of proxy for use at the EGM is enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolutions will abstain from voting on the resolutions on the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement at the EGM. C&D Real Estate holds 215,472,000 Shares (representing approximately 50.34% interest in the Company), and as such, C&D Real Estate and its associates will be required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting on the relevant resolutions to be considered at the EGM as at the Latest Practicable Date.

The notice of the EGM is set out on pages N-1 to N-3 of this circular.

For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the EGM or any resumed session. The register of members of the Company will be closed from Tuesday, 14 March 2017 to Thursday, 16 March 2017 (both days inclusive), during which time no share transfers will be effected. The holders of the Shares whose names appear on the register of members of the Company on Thursday, 16 March 2017 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.

You are urged to complete and return the form of proxy whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement. Octal Capital Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages 30 to 31 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 32 to 52 of this circular.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Advisor, is of the view that the Share Transfer Agreements and the Second Capital Increase Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Independent Board Committee recommends that all Independent Shareholders to vote in favour of the relevant resolutions to be proposed in the EGM.

VOTE BY POLL

In accordance with the articles of association of the Company, all the votes in the EGM must be taken by poll. The methods of Shareholders' votes at the EGM will be conducted by the combination of on-site voting and online voting.

FURTHER INFORMATION

Your attention is drawn to the statutory and general information set out in Appendix V to this circular.

Yours faithfully,
By Order of the Board
C&D International Investment Group Limited
建發國際投資集團有限公司
Zhuang Yuekai
Chairman and Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement for inclusion in this circular.

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1908)

25 February 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTERESTS IN THE JOINT VENTURE (2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE SECOND CAPITAL INCREASE AGREEMENT AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on the entering into of the Share Transfer Agreements and the Second Capital Increase Agreement, the details of which are set out in the circular issued by the Company to the Shareholders dated 25 February 2017 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 32 to 52 of this Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed "Reasons for and benefits of entering into the Acquisitions" and "Reasons for and benefits of the entering into of the Second Capital Increase Agreement" in the "Letter from the Board" of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Advisor, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Advisor that the Share Transfer Agreements and the Second Capital Increase Agreement were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the entering into of the Share Transfer Agreements, and the Second Capital Increase Agreement.

Yours faithfully
Independent Board Committee of
Mr. Wong Chi Wai
Mr. Wong Tai Yan, Paul
Mr. Chan Chun Yee
(Independent non-executive Directors)

Octal Capital Limited
802-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

25 February 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTERESTS IN THE JOINT VENTURE AND (2) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ENTERING INTO OF THE SECOND CAPITAL INCREASE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Zhao Run Share Transfer Agreement and Licheng Share Transfer Agreement; and (ii) the Second Capital Increase Agreement and transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 25 February 2017 (the "**Circular**"), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

References are made to the announcements of the Company dated 1 December 2015 and 30 December 2015, whereby it was announced that (i) Yi Yue, an indirect wholly-owned subsidiary of the Company entered into a cooperation agreement with Zhao Run, a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate, for the formation of the Joint Venture, which was owned as to 40% by Yi Yue and 60% by Zhao Run and (ii) the Joint Venture entered into a supplemental agreement with Zhangzhou Land Bureau and Zhao Run, pursuant to which the Joint Venture acquired the Zhangzhou Land located in Zhangzhou City, Fujian, the PRC.

The Board announced that on 5 January 2017, Yi Yue entered into (i) the Zhao Run Share Transfer Agreement pursuant to which Zhao Run agreed to sell and Yi Yue agreed to purchase 30% equity interests in the Joint Venture; and (ii) the Licheng Share Transfer Agreement pursuant to which Licheng, a company established in the PRC with limited liability and an indirect subsidiary of C&D Real Estate, agreed to sell and Yi Yue agreed to purchase 30% equity interests in the Joint Venture.

The cash consideration under each of the Zhao Run Share Transfer Agreement and the Licheng Share Transfer Agreement shall be RMB21.7 million. Yi Yue shall also repay the shareholder's loan in the amount of RMB404.1 million previously made by Zhao Run and Licheng to the Joint Venture according to the proportion of equity interests to be acquired by Yi Yue.

Assuming no further Shares will be issued by the Joint Venture, upon completion of the Acquisitions, Yi Yue will hold 100% in the Joint Venture. The Joint Venture will become a subsidiary of the Company and the financial results of the Joint Venture will be consolidated into the consolidated financial statements of the Company.

As each of Zhao Run and Licheng is a subsidiary of C&D Real Estate, a controlling shareholder, Zhao Run and Licheng are considered as connected persons of the Company. The entering into of the Share Transfer Agreements will therefore constitute a connected transaction under Chapter 14A of the Listing Rules.

As announced by the Company on 18 August 2016, Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue contributed an aggregate amount of RMB517.9 million and acquired approximately 13% of the registered capital of Suzhou Zhaoxiang. Further, as announced by the Company on 29 December 2016, Yi Yue entered into the Share Transfer Agreements with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue further contributed an aggregate amount of RMB1,449.9 million and acquired 37% of the registered capital of Suzhou Zhaoxiang. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Share Transfer Agreements are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Aggregated Transaction exceed 100%, the Aggregated Transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Share Transfer Agreements.

Reference is made to the announcement of the Company dated 18 August 2016 (the "**First Capital Increase Announcement**"), whereby it was announced that Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun, a subsidiary of C&D Real Estate which is in turn the controlling shareholder of the Company and Xiamen Liyuan, a subsidiary of C&D Real Estate which is in turn the controlling shareholder of the Company, pursuant to which Yi Yue contributed an aggregate amount of RMB517.9 million and acquired approximately 13% of the registered capital of the Target Company.

The Board announced that on 5 January 2017, Yi Yue, an indirect wholly-owned subsidiary of the Company, entered into the Second Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan. Pursuant to the Second Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB114.9 million to RMB200.0 million. Yi Yue has agreed to contribute an aggregate amount of RMB1,449.9 million in cash, including (i) RMB85.1 million as payment for the registered capital; (ii) RMB44.2 million as payment for the share premium; and (iii) a three-year shareholder's loan in the amount of RMB1,320.6 million at an interest rate of 5.8% for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue.

Assuming no further Shares will be issued by the Target Company, upon completion of the Second Capital Increase, Yi Yue will hold 50% of the registered capital of the Target Company as enlarged by the Second Capital Increase in the Target Company. The Target Company will become a subsidiary of the Company as a result of the transaction, and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

As each of Suzhou Zhaokun and Xiamen Liyuan is a subsidiary of C&D Real Estate, a controlling shareholder, Suzhou Zhaokun and Xiamen Liyuan are considered as connected persons of the Company. The entering into of the Second Capital Increase Agreement will therefore constitute a connected transaction under Chapter 14A of the Listing Rules.

As announced by the Company on 1 December 2015 and 31 December 2015, Yi Yue and Zhao Run entered into a cooperation agreement for the formation of the Joint Venture which subsequently acquired a land located in Zhangzhou, Fujian, the PRC. Moreover, as announced by the Company on 29 December 2016, Yi Yue further acquired 60% equity interests in the Joint Venture from the existing shareholders of the Joint Venture. Further, as mentioned above, on 18 August 2016, Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue contributed an aggregate amount of RMB517.9 million and acquired approximately 13% of the registered capital of the Target Company. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under Second Capital Increase Agreement are required to be aggregated with the Previous Transaction. After aggregation, as one or more of the applicable percentage ratios in respect of the Aggregated Transaction exceed 100%, the Aggregated Transaction constitutes a very substantial acquisition under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' requirements. An EGM will be held to seek the approval of the Independent Shareholders of the transactions contemplated under the Second Capital Increase Agreement.

C&D Real Estate and its associates shall abstain from voting on the proposed resolution to approve the transactions contemplated under the Share Transfer Agreements at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, no other Shareholder is interested in the transactions contemplated under the Share Transfer Agreements.

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, has been established to advise the Independent Shareholders as to whether the terms of the Share Transfer Agreements are fair and reasonable and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the (i) the Zhao Run Share Transfer Agreement and Licheng Share Transfer Agreement; and (ii) the Second Capital Increase

Agreement in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Company or C&D Real Estate or Zhao Run or Licheng or the Joint Venture or Suzhou Zhaokun or Xiamen Liyuan or Target Company or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, we were engaged as the independent financial adviser to the Company (the "**Previous Engagements**") in respect of (i) the connected transaction in relation to the issue of new shares of the Company to a connected person (details of which are set out in the circular of the Company dated 18 June 2015); (ii) the discloseable and connected transaction in relation to the formation of a joint venture and continuing connected transaction (details of which are set out in the circular of the Company dated 20 April 2016); (iii) the continuing connected transaction in relation to terms of the Jiayuan Lease and the Huayuan Lease which exceeded three years (details of which are set out in the announcement of the Company dated 14 March 2016); (iv) the continuing connected transaction in relation to the entering into of consignment agreements and the entering into of the capital increase agreement (details of which are set out in the circular of the Company dated 24 September 2016); and (v) the connected transaction in relation to the entering into of subscription agreement in relation to issue of perpetual convertible bond (details of which are set out in the circular of the Company dated 26 January 2017). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the independent committee of the Board comprising all the independent non-executive Directors and independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or C&D Real Estate or Zhao Run or Licheng or the Joint Venture or Suzhou Zhaokun or Xiamen Liyuan or Target Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the (i) the Zhao Run Share Transfer Agreement and Licheng Share Transfer Agreement; and (ii) the Second Capital Increase Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, C&D Real Estate, Zhao Run, Licheng, the Joint Venture, Suzhou Zhaokun, Xiamen Liyuan, the Target Company and their respective associates, nor have we carried out any independent verification of the information supplied to us.

THE ACQUISITION OF 60% EQUITY INTERESTS IN THE JOINT VENTURE

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Share Transfer Agreements, we have considered the following principal factors and reasons:

1. **Reasons for and benefits of the Acquisitions**

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the provision of construction contractor consultancy services in the PRC. The Group's strategy is to cooperate with the controlling shareholder in order to increase the Company's capacity of land acquisition and scale of the project leading to an increase in profitability, thereby achieving synergy benefits and diversifying its financial exposure.

The Joint Venture was formed in the PRC on 1 December 2015. As at the date of this announcement, the registered capital of the Joint Venture is RMB50.0 million, which is owned as to RMB20.0 million by Yi Yue, RMB15.0 million by Zhao Run and RMB15.0 million by Licheng. Both Zhao Run and Licheng are indirect subsidiaries of C&D Real Estate, a controlling Shareholder. With effect from completion of the Acquisitions, Yi Yue will hold 100% equity interests in the Joint Venture. The Joint Venture will become a subsidiary of the Company and the financial results of the Joint Venture will be consolidated into the consolidated financial statements of the Company.

Set out below are certain financial information of the Joint Venture as at 31 December 2015 and 30 June 2016 and appraised values extracted from by the valuation report prepared by Xiamen Appraisal (the "**Valuation Report A**") as at 30 September 2016:

	Accountant's report		**Valuation Report A**
	As at 30 September 2016	**As at 31 December 2015**	**As at 30 September 2016**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	audited	*audited*	*assessed value*
Total assets	756,127	657,124	751,473
Total liabilities	707,623	607,157	679,239
Net assets	48,504	49,967	72,234

The major asset held by the Joint Venture is the Zhangzhou Construction In Progress which mainly comprises the Zhangzhou Land of approximately 44,828.15 sq.m. in Zhangzhou City of Fujian Province and the relevant land use right for residential use is 70 years. The total planned GFA of Zhangzhou Land is 191,955 sq.m. and is expected to accommodate a population of approximately 6,000.

We have researched from public sources on the information related to the residential property market in relevant provinces in the PRC. According to the Bureau of Statistics of Zhangzhou, Zhangzhou City has an area of approximately 12,607 square kilometers. The GDP of Zhangzhou City amounted to approximately RMB277 billion in 2015, representing an increase of 11.5% over the previous year and ranking the first of Fujian Province for three consecutive years. The population of Zhangzhou City was approximately of 5 million in 2015, representing an increase of 16.3% over the previous year. In addition, the investment in the development of immovable properties amounted to approximately RMB210 billion for the first nine months of 2016, representing an increase of approximately 12.6% when compared to the same period in 2015. The average income of citizens in Zhangzhou City amounted to RMB 24,334 for the first nine months of 2016, representing an increase of approximately 9.7% when compared to the same period in 2015. Moreover, according to property price information from a professional property information platform in the PRC called Fang.com, the average housing price of Zhangzhou City has increased substantially by approximately 77.6% from RMB6,955 in December 2015 to RMB12,349 in December 2016.

The Zhangzhou Land is located to the west of Hubin Road, Longwen District, Zhangzhou City and north of Huge Road. High-end properties are located to its northeast, and Bihu Lake and an ecological park are located to its south. Overlooking the Jiulong River, the Zhangzhou Land enjoys scenic advantages. Besides, the Project is located at the core region of Bihu Ecological Park and has unique natural geographical advantages. The Zhangzhou Land has strong potential for appreciation in property value because of its geographical location. The project site is also adjacent to various major transportation routes including G15 and G76 highways linking up of Xiamen City. Moreover, a new high speed railway line namely XianZhang ChengJi METRO R3 Line (廈漳城際軌道R3線), which will start from the existing Zhangzhou North Station, pass through the Zhangzhou Development Zone, and a new station in Xiamen, is under construction and expected to complete by year 2020. Since the total length of this newly-built line is 68.8 km with a target speed of 120 km per hour, the total travel time from Zhangzhou North Station and Xiamen Station is estimated within 60 minutes.

The development of the Zhangzhou Land (the "**Zhangzhou Project**") is expected to be divided into two phases. The construction of the first phase (the "**Zhangzhou First Phase**") has already started in June 2016. The pre-sale criteria were met in November 2016, and completion and delivery is expected to take place in October 2018. As for the second phase of the Zhangzhou Project (the "**Zhangzhou Second Phase**"), construction is expected to start in February 2017, with pre-sale criteria expected to be met by July 2017, and completion expected to take place by April 2019. The Zhangzhou First Phase and the Zhangzhou Second Phase primarily consist of (i) 9 high-rise apartments; (ii) 2 low-rise apartments; and (iii) 964 underground carparking spaces and have a total site area of approximately 44,828 sq.m. with a total GFA of 191,955 sq.m. We set out below are the information of certain progress of construction and sales of the pre-sale unit of the Zhangzhou First Phase as at 30 June and 31 October 2016:

	As at 30 June 2016	**As at 31 October 2016**
Total planned GFA (sq.m.)	191,955	191,955
Total planned GFA completed (sq.m.)	—	10,700
Total % of planned GFA completed	—	5.57%

The total planned GFA completed of the Zhangzhou First Phase as at 30 June and 31 October 2016 were nil and 10,700 sq.m, representing nil%, and 5.74% of the total percentage of planned GFA completed at the respective date respectively. After considering that the Joint Venture has not encountered any delay in the construction of the Zhangzhou First Phase and the construction of the Zhangzhou Second Phase is expected to start in February 2017, the Directors are of the view that the construction of the Zhangzhou Project is in good progress.

In view of the increasing property prices in Zhangzhou City, the geographical advantages of the Zhangzhou Land listed above and readily available property development project, the Group is therefore particularly interested in this property development opportunity. It is a low-density property development project over the Zhangzhou Land and it is positioned to attract upper-middle class customers in the area nearby. The Group aims that Yi Yue can take part in the real estate project over the Zhangzhou Land through the Acquisition to further broaden the real estate business of the Group.

We noted that some of the cities in the PRC have implemented restrictions on the purchase of residential properties and relevant mortgage lending since late September 2016 (the "**Restrictions**"). The general property price and number of residential property transactions in those cities have encountered downward pressure recently. However, Zhangzhou City is not one of those cities and its general property price has not been affected by the Restrictions from their launch in late September 2016 to November 2016. According to Fang.com, the average housing price of Zhangzhou City has increased by approximately 5.0% from RMB11,759 in September 2016 to RMB12,349 in November 2016. Notwithstanding the potential impact on the property price in Zhangzhou City, the Directors consider that the Restrictions would not have material impact on the prospect of the Zhangzhou Project and the Joint Venture after considered (i) the geographical advantages of the Zhangzhou Land; (ii) the new high speed railway line to be constructed by year 2020; (iii) the steady increase of the population in Zhangzhou City; and (iv) the moderate increase of the GDP of Zhangzhou City as well as the general income of the local citizens in Zhangzhou City.

The Joint Venture is a subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipal government of the

PRC. The Xiamen C&D Corporation Limited is a conglomerate state-owned enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. The Xiamen C&D Corporation Limited ranked 116th of China Top 500 Enterprises in 2015 and has been ranking first of Top 100 Enterprise Groups in Fujian Province consecutively for many years. Given its strong background, solid experience in the real estate industry in the PRC and sound financial conditions, C&D Real Estate gains access to various opportunities in acquiring land parcels and real estate projects. Moreover, the cooperation with the Zhao Run and Licheng, which are subsidiaries of C&D Real Estate, provides the Group an excellent investment opportunity and position in the property market in Zhangzhou City. It can assist the Group, which is currently at the starting stage in the field of property development, to penetrate the local upper-middle property market in Zhangzhou City in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

In addition, after the completion of the Acquisition, Yi Yue will directly own 100% of the registered capital of the Joint Venture. Therefore, the financial results of the Joint Venture would be consolidated into the consolidated result of the Company and thereby increasing the scale of assets and profitability of the Group. Moreover, all the directors in the board of the Joint Venture can be solely appointed by Yi Yue, therefore Yi Yue, also being the sole shareholder of the Joint Venture, will have the full autonomy to manage the operation of the Joint Venture and utilise resources of the Joint Venture.

Against the above, we consider that the Acquisition with a plan to increase the investment in the Zhangzhou Project after taking into account of the business prospect of the Zhangzhou Project is commercially justified for the Group.

2. **Terms of the Share Transfer Agreements**

(i) ***Consideration***

Pursuant to the Share Transfer Agreements, Yi Yue will acquire the aggregate 60% equity interest from Zhao Run and Licheng with an aggregate amount of RMB43.3 million in cash and repay the shareholder's loan in the amount of RMB404.1 million previously made by Zhao Run and Licheng to the Joint Venture. The consideration under the Share Transfer Agreements was determined by the Company after arm's length negotiation among Zhao Run and Licheng based on the valuation of the total assets and liabilities of the Joint Venture performed by Xiamen City University Assets Appraisal Co. Ltd.. As at 30 September 2016, the total assets of the Joint Venture was valued at approximately RMB751.5 million, consisting of (i) net assets of approximately RMB72.2 million and (ii) total liabilities of approximately RMB679.2 million. The aggregate shareholder's loan of RMB404.7 million is based on approximately 60% of the shareholder's loan of RMB673.4 million according to the unaudited accounts of the Joint Venture as at 30 September 2016.

Based on these assessed values, the total amount of the Acquisition of approximately RMB447.4 million will be the sum of (i) the equity contribution of approximately RMB43.3 million and (ii) the Zhangzhou Target Shareholder Loan for the repayment of part of the shareholder's loan previously made by the Zhao Run and Licheng according to the proportion of equity interest to be taken by Yi Yue. The aggregate shareholder's loan of RMB404.1 million at an interest rate of 5.8% is based on approximately 60% of the shareholder's loan of RMB673.4 million according to the unaudited accounts of the Joint Venture as at 30 September 2016.

Yi Yue will finance the Acquisition by the Group Shareholder Loan in an aggregate amount of RMB447.4 million to be obtained from C&D Real Estate. Pursuant to the Shareholder Loan Framework Agreement entered into between the Company and C&D Real Estate, the interest rate of the Group Shareholder Loan will be based on the benchmark RMB lending rate of the People's Bank of China (which is 4.75% as at the Latest Practicable Date), and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. As set out in the interim results announcement of the Group for the six months ended 30 June 2016, the Group has cash balance of approximately RMB87 million which is not sufficient to settle the total consideration for the Acquisition.

As advised by the Company, the Company has quoted the interest rates of the similar loan amount of the Group Shareholder Loan from independent third party financial institutions in the PRC. The terms offered by the financial institutions not only would require pledge of assets from the Group, but also would charge the interest rates ranged from 5.5% to 6% which are approximately of 10% higher than the interest rate of the Group Shareholder Loan. As the Group Shareholder Loan was on terms better than normal commercial terms offered to the Group and no security over the assets of the Company is required, the Directors considered that the Group Shareholder's Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions. Moreover, in view of the difference between the interest rate of 5.8% to be charged to the Joint Venture in the Zhangzhou Target Shareholder Loan and the interest rate of 4.75% charged from C&D Real Estate in the Group Shareholder Loan, the Group will benefit from such interest rate difference which will therefore enhance the profitability of the Company.

Furthermore, reference is made to the announcement of the Company dated 4 December 2016, we note that the Company proposed to issue a perpetual convertible bond of HK$500 million (the "**Perpetual Convertible Bond**") which would be used to repay the existing shareholder's loan of the Company and understand that the Acquisition will be funded by the Group Shareholder Loan which in turn will increase the shareholder's loan of the Company in certain extent. We are advised by the Company that the Directors had considered several ways of equity financing other than debt financing, such as placing, rights issue and open offer. In respect of the placing, given that a placing of 68,000,000 Shares of the Company has just been completed on 21 December 2016, the Directors considered that it is difficult for placing agents to identify placees without further discount on placing price which will consequently lead to further dilution of the Shareholders' interest. In respect of right issues and open offer, the Directors considered that they may have difficulty to find an independent underwriter in Hong Kong which is interested to fully underwrite the Shares of the Company to raise the proposed amount of funds. The Directors considered that even if such an independent underwriter could be identified, the rights issue or open offer would incur costly underwriting commission and the process would be relatively more costly than financing by the Group Shareholder Loan.

Having considered (i) the lower interest rate of the Group Shareholder Loan when compared to the interest rates offered by the financial institutions; (ii) the benefit from the interest rate difference between the Zhangzhou Target Shareholder Loan and the Group Shareholder Loan; (iii) the Group does not have sufficient internal financial resources to settle the consideration based on the cash balance of the Group as at 30 June 2016; and (iv) the Company has considered other alternative fund raising methods which are not only costly and time consuming, but also will lead to further dilution of the Shareholders' interest, we are of the view that the proposed financing method to settle the consideration to be fair and reasonable and is in the interest of the Company and its shareholders.

We have reviewed and enquired the qualification and experience of Xiamen Appraisal in charge of the valuation of the Joint Venture. We noted that Xiamen Appraisal is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with Xiamen Appraisal that it is a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Zhao Run and/or Licheng. We have also reviewed the scope of services provided under the engagement of Xiamen Appraisal by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that Xiamen Appraisal is qualified and possesses sufficient relevant experience in performing the valuation of the Joint Venture.

As set out in the Valuation Report A, the assessed value of the total asset, total net asset and the total liability were approximately RMB751.5 million, RMB72.2 million and RMB679.2 million respectively as at 30 September 2016. Based on our review of the Valuation Report A and our discussion with the Xiamen Appraisal, we noted that the valuation of the Zhangzhou Land has been prepared by cost approach and the major assumptions include (i) there will be no significant and unpredictable changes in the existing political, legal, financial or economic conditions which might adversely affect the economy in general and the valuation of the Zhangzhou Land; (ii) the Joint Venture continues to operate in the foreseeable future; (iii) the key management will successfully carry out all necessary activities for development of the Joint Venture; (iv) the Joint Venture will comply with the laws and regulations; and (v) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values.

Based on our review and analysis of the Valuation Report A, we consider that this methodology is a commonly adopted approach and justifiable in appraising such assets and liabilities and the assumptions being evaluated and validated can provide a reasonable basis in arriving at the valuation. We consider that the basis and assumptions adopted by the Xiamen Appraisal for the valuation are fair and reasonable.

Furthermore, we have also assessed the valuation report prepared by DTZ (the "**Valuation Report B**") as set out in Appendix IV to the Circular, which is in relation to the appraised value of the Zhangzhou Construction In Progress as at 31 October 2016. In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of DTZ in charge of the valuation. We have checked the website of DTZ and noted that DTZ is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with DTZ that it is a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Zhao Run and/or Licheng and/or Joint Venture did not have any business relationship except the issue of valuation reports in relation to the Target Company, Joint Venture and other assets of the Group in preparations for the Group's financial reporting. We have also reviewed the scope of services provided under the engagement of DTZ by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that DTZ is qualified and possesses sufficient relevant experience in performing the valuation of the Zhangzhou Construction In Progress.

Based on our review of the Valuation Report B and our discussion with DTZ, we noted that for the interests of the Zhangzhou Construction In Progress held by Yi Yue, the valuation has been prepared by direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

It was assumed that (i) the Zhangzhou Land is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value; (ii) the transferable land use rights in respect of the Zhangzhou Land for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid; and (iii) the interest of the Zhangzhou Construction In Progress which is currently held under development will be developed and completed in accordance with the latest development proposal provided by the Company. This interest of the Zhangzhou Construction In Progress was valued by adopting the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and taking into account (i) the accrued construction cost and professional fees relevant to the respective stage of construction as at the valuation date; and (ii) the remainder of the cost and fees that are expected to be incurred for completing the development. We consider that this methodology is a commonly adopted approach and justifiable and the assumptions are fair and reasonable. Details of the valuation of the Zhangzhou Construction In Progress of the Joint Venture are contained in the property valuation report set out in Appendix IV to the Circular.

According to the appraised value of the Zhangzhou Construction In Progress as at 31 December 2016 extracted by the Valuation Report B as set out in Appendix IV to the Circular, we noted that the appraised value of the whole Zhangzhou Construction In Progress as at 31 December 2016 was approximately RMB798.0 million with an increase of 6.2% when compared to the assessed value of approximately RMB751.5 million as at 30 September 2016 in the Valuation Report A. We note that such difference of the appraised value is mainly due to the different valuation approaches being adopted, while cost approach has been adopted in the Valuation Report A and direct comparison approach has been adopted in the Valuation Report B.

Based on our review and analysis of the Valuation Report B, we considered that the valuation approaches adopted are common valuation methodologies in appraising such assets and the basis and assumptions adopted by DTZ for the valuation are fair and reasonable.

Apart from the valuation reports, we also noted that the total asset increased from RMB657.1 million in the accountants' report as at 31 December 2015 to RMB756.1 million in the accountants' report as at 30 September 2016 mainly because of the ongoing development of the Zhangzhou Construction In Progress.

We are of the view that the consideration is fair and reasonable after considered that (i) the total amount of the consideration of the Acquisition is based on the assessed value of net asset and the total liability; (ii) the increase in percentage of planned GFA Completed of Zhangzhou First Phase of 5.74% during the period from 30 June to 31 October 2016; (iii) the general increase of the housing price in Zhangzhou City from December 2015 to December of 2016 in our research; (iv) the steady increase in both the GDP and population of Zhangzhou City; (v) the long term cooperation with the subsidiaries of C&D Real Estate; and (vi) the Acquisition will be financed by the Group Shareholder Loan whose interest rate is lower than that of the Zhangzhou Target Shareholder Loan to be contributed by Yi Yue to the Joint Venture.

THE ENTERING INTO OF THE SECOND CAPITAL INCREASE AGREEMENT

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Second Capital Increase Agreement, we have considered the following principal factors and reasons:

3. **Reasons for and benefits of the Second Capital Increase**

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the provision of construction contractor consultancy services in the PRC. The Group's strategy is to cooperate with the controlling shareholder in order to increase the Company's capacity of land acquisition and scale of the project leading to an increase in profitability, thereby achieving synergy benefits and diversifying its financial exposure.

The Target Company was incorporated in the PRC with limited liability and is principally engaged in property development business. The existing registered capital of the Target Company is RMB114.9 million in which Yi Yue directly holds approximately 13% since the completion of the First Capital Increase. After the Second Capital Increase, the registered capital of the Target Company will be further increased from RMB114.9 million to RMB200.0 million in which approximately 50% of it will be directly held by Yi Yue.

Set out below are certain financial information of the Target Company as at 31 March and 30 September 2016 and appraised values extracted from the Valuation Report A as at 31 March 2016:

	Accountant's report As at 30 September 2016 *(RMB'000) audited*	**Auditor's report As at 31 March 2016** *(RMB'000) audited*	**Valuation Report A As at 31 March 2016** *(RMB'000) assessed value*
Total assets	4,253,368	3,861,235	3,971,070
Total liabilities	4,164,925	3,819,194	3,819,100
Net assets	88,443	42,041	151,970

The major asset held by the Target Company is Jiangsu Construction In Progress which mainly comprises the Jiangsu Land of approximately 224,623.6 sq.m. in Suzhou of Jiangsu Province and the relevant land use right for residential use is 70 years. The total planned GFA of Jiangsu Land (except the third phase of Jiangsu Land which is still in planning stage) is 343,684 sq.m. and is expected to accommodate a population of approximately 7,800.

Suzhou is one of the most popular cities in China with an estimated population of 10.6 million as of the end of 2015. According to the National Bureau of Statistics, Suzhou had the highest GDP in Jiangsu Province of approximately RMB1,450 billion which accounted for 20.7% of the total GDP of Jiangsu Province, by contrast with Nanjing, ranked the second in Jiangsu Province, had approximately RMB 972 billion which accounted for 13.9% of the total GDP of Jiangsu Province. In addition, according to the website of the Suzhou Statistic Department, the average income of citizens in Suzhou increased by approximately 8.5% in the first nine months of 2016 compared to the same period in 2015. The amount of the investment in the development of immovable properties in Suzhou reached over RMB3,490 billion in the first nine months of 2016 representing approximately 8.5% increase compared to the same period in 2015. Moreover, according Fang.com, the average housing price index of Suzhou has increased by 26.7% from RMB12,574 in December 2015 to RMB15,932 in December 2016.

The Jiangsu Land is located in a lake area in Wuzhong District and surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. Besides, the Jiangsu Land is close to commercial business districts and offers easy access to downtown with the support of well-established transportation network and comprehensive ancillary facilities. Furthermore, a new railway line (the "**2nd Railway Line**") has been constructed and in operation since September 2016, in which a railway station, namely Yin Shan Hu station, has been built near the Jiangsu Land. The 2nd Railway Line not only improves the transportation network amongst the Jiangsu Land and different places in Suzhou, Xiangcheng and Wuzhong districts, but also increases the demand of residential properties built along the 2nd Railway Line including the Jiangsu Land.

We note that the construction plan has already been well established in December 2015. There will be three phrases of the project (the "**Jiangsu Project**") in total. The construction of the first phrase (the "**Jiangsu First Phase**") has started in February 2016 and is expected to be complete in December 2017. The construction of the second phrase (the "**Jiangsu Second Phase**") has started in October 2016 and is expected to complete by August 2018. The last phrase is expected to start in June 2017 and is expected to complete by June 2020. Apartments ranged from 3 to 4 bedrooms of 90 to 143 sq.m. and villas will be available for sale. As further advised by the Company, the Target Company has obtained pre-sale permit of the Jiangsu First Phase from relevant real estate development authorities and has started to promote the apartments to the market.

Set out below are the information of certain progress of construction and sales of the pre-sale unit of the Jiangsu First Phase as at 30 June and 31 October 2016:

	As at 30 June 2016	As at 31 October 2016
Total planned GFA (sq.m.)	162,753	162,753
Total planned GFA completed (sq.m.)	16,000	34,340
Total % of planned GFA completed	9.83%	21.10%
Total saleable GFA (sq.m.)	—	84,359
Total saleable GFA sold (sq.m.)	—	31,455
Total % of saleable GFA sold	—	37.29%

The total planned GFA completed of the Jiangsu First Phase as at 30 June and 31 October 2016 were 16,000 and 34,340 sq.m., representing 9.83% and 21.10% of total percentage of planned GFA completed at the respective date. On the other hand, the total saleable GFA sold of the Jiangsu First Phase as at 30 June and 31 October 2016 were nil and 31,455 sq.m., representing nil% and 37.29% of total percentage of saleable GFA at the respective date. While the construction of the Jiangsu Second Phase has also been started, the Directors are of the view that the construction of the Jiangsu Project is in good progress and the sales of the pre-sale units have already reached their target.

In view of the increasing property prices in Suzhou, the geographical advantages of the Jiangsu Land in Wuzhong listed above and readily available property development project, the Group is therefore particularly interested in this property development opportunity. It is a low-density property development project over the Jiangsu Land and it is positioned to attract upper-middle class customers in the area nearby. The Group aims that Yi Yue can take part in the real estate project over the Jiangsu Land through the Second Capital Increase to further broaden the real estate business of the Group.

We noted that some of the cities in the PRC, including Suzhou, have introduced the Restrictions on the purchase of residential properties and relevant mortgage lending since late September 2016. The general property price and number of residential property transactions in those cities have encountered downward pressure recently. Nonetheless, the Suzhou general property price remained stable from the launch of the Restrictions in late September 2016 to November 2016. According to Fang.com, the average housing price of Suzhou has increased for approximately 2.7% from RMB15,519 in September 2016 to RMB15,932 in November 2016. Notwithstanding the potential impact of the Restrictions on the property price in Suzhou, the Directors consider that the Restriction would not have material impact on the prospect of the Jiangsu Land and the Target Company after considered (i) the geographical advantages of the Jiangsu Land; (ii) the strong sales of the pre-sale unit of the Jiangsu First Phase; and (iii) the moderate increase of the GDP of Suzhou as well as the general income of the local citizens in Suzhou.

The Target Company is a subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipal government of the PRC. The Xiamen C&D Corporation Limited is a conglomerate state-owned enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. The Xiamen C&D Corporation Limited ranked 116th of China Top 500 Enterprises in 2015 and has been ranking first of Top 100 Enterprise Groups in Fujian Province consecutively for many years. Given its strong background, solid experience in the real estate industry in the PRC and sound financial conditions, C&D Real Estate gains access to various opportunities in acquiring land parcels and real estate projects. Moreover, the cooperation with the Suzhou Zhaokun and Xiamen Liyuan under C&D Real Estate provides the Group an excellent investment opportunity and position in the property market in Suzhou. It can assist the Group, which is currently at the starting stage in the field of property development, to penetrate the local upper-middle property market in Suzhou in an efficient manner and also accumulate precious property development experience for future expansion in the property market.

In addition, after the completion of the Second Capital Increase, Yi Yue will directly own 50% of the registered capital of the Target Company. Therefore, the financial results of the Target Company would be consolidated into the consolidated result of the Company and thereby increasing the scale of assets and profitability of the Group. Moreover, the board of directors of the Target Company will comprise three directors while two of whom will be appointed by Yi Yue and one of whom will be appointed by Suzhou Zhaokun, therefore Yi Yue, also being the largest shareholder of the Company, will have the flexibility to manage the operation of the Target Company and utilise resources of the Target Company.

Against the above, we consider that the Second Capital Increase with a plan to increase the investment in Jiangsu Project taking into account of the business prospect of the Jiangsu Project is commercially justified for the Group.

4. **Terms of the Second Capital Increase Agreement**

(ii) ***Consideration***

Pursuant to the Second Capital Increase Agreement, Yi Yue will inject capital of approximately RMB1,449.9 million by way of cash to the Target Company for approximately 37% equity interest in the Target Company as well as enjoy the rights and obligations of the Target Company under the Second Capital Increase Agreement. The consideration under the Second Capital Increase Agreement was determined by the Company after arm's length negotiation among the shareholders of the Target Company based on the valuation of the Target Company's total assets and liabilities as at 31 March 2016 performed by Xiamen Appraisal. As at 31 March 2016, the total assets of the Target Company was valued at approximately RMB3,971.1 million, consisting of (i) net assets of approximately RMB152.0 million and (ii) total liabilities of approximately RMB3,819.1 million.

Based on these assessed values, the total amount of the Second Capital Increase of approximately RMB1,449.9 million will be the sum of (i) the equity contribution of approximately RMB129.3 million including approximately RMB85.1 million as payment for the registered capital and approximately RMB44.2 million as payment for the share premium and (ii) the shareholder loan for the repayment of part of the shareholder's loan previously made by the Target Company according to the proportion of equity interest to be taken by Yi Yue. The payments for the registered capital and the share premium are based on (i) the net assets of approximately RMB152.0 million as at 31 March 2016; (ii) the additional 37% equity interest in the Target Company to be contributed by the Company; and (iii) the registered capital of RMB200.0 million after the Second Capital Increase. In other words, the equity contribution of approximately RMB129.3 million represents 50% of the sum of the registered capital and share premium of the Target Company after the completion of the Second Capital Increase less the payments for the sum of the registered capital and share premium under the First Capital Increase Agreement of approximately RMB22.7 million (i.e. RMB152.0 million / (1-50%) X 50% - RMB22.7 million). Therefore, the Company is required to contribute approximately RMB129.3 million to the Target Company for maintaining its 50% equity interest of the Target Company after the completion of the Second Capital Increase. The shareholder's loan of approximately RMB1,320.6 million at an interest rate of 5.8% is based on approximately 37% of the shareholder's loan of approximately RMB3,569.3 million according to the unaudited accounts of the Target Company as at 30 September 2016. In this regard, we consider that the total amount of the Second Capital Increase including the equity contribution and the shareholder's loan is fair and reasonable.

Yi Yue will pay the total consideration within 180 working days after the Second Capital Increase Agreement becomes effective or before 31 March 2017, whichever is earlier. Yi Yue will finance the Second Capital Increase by the Group Shareholder Loan in the amount of approximately RMB1,449.9 million to be obtained from C&D Real Estate. Pursuant to the Shareholder Loan Framework Agreement entered into between the Company and C&D Real Estate, the interest rate of the Group Shareholder Loan will be based on the benchmark RMB lending rate of the People's Bank of China (which is 4.75% as at the Latest Practicable Date), and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. As set out in the interim results announcement of the Group for the six months ended 30 June 2016, the Group has cash balance of approximately RMB87 million which is not sufficient to settle the total consideration for the Second Capital Increase.

As advised by the Company, the Company has quoted the interest rates of the similar loan amount of the Group Shareholder Loan from independent third party financial institutions in the PRC. The terms offered by the financial institutions not only would require pledge of assets from the Group, but also would charge the interest rates ranged from 5.5% to 6% which are approximately of 10% higher than the interest rate of the Group Shareholder Loan. As the Group Shareholder Loan was on terms better than normal commercial terms offered to the Group and no security over the assets of the Company is required, the Directors considered that the Group Shareholder's Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions. Moreover, in view of the difference between the interest rate of 5.8% to be charged to the Target Company in the Jiangsu Target Shareholder Loan and the interest rate of 4.75% charged from C&D Real Estate in the Group Shareholder Loan, the Group will benefit from such interest rate difference which will therefore enhance the profitability of the Company.

Furthermore, reference is made to the announcement of the Company dated 4 December 2016, we note that the Company proposed to issue the Perpetual Convertible Bond of HK$500 million which would be used to repay the existing shareholder's loan of the Company and understand that the Second Capital Increase will be funded by the Group Shareholder Loan which in turn will increase the shareholder's loan of the Company in certain extent. We are advised by the Company that the Directors had considered several ways of equity financing other than debt financing, such as placing, rights issue and open offer. In respect of the placing, given that the placing of 68,000,000 Shares of the Company has just been completed on 21 December 2016, the Directors considered that it is difficult for placing agents to identify placees without further discount on placing price which will consequently lead to further dilution of the Shareholders' interest. In respect of right issues and open offer, the Directors considered that they may have difficulty to find an independent underwriter in Hong Kong which is interested to fully underwrite the Shares of the Company to raise the proposed amount of funds. The Directors considered that even if such an independent underwriter could be identified, the rights issue or open offer would incur costly underwriting commission and the process would be relatively more time-consuming than debt financing.

Having considered (i) the lower interest rate of the Group Shareholder Loan when compared to the interest rates offered by the financial institutions; (ii) the benefit from the interest rate difference between the Jiangsu Target Shareholder Loan and the Group Shareholder Loan; (iii) the Group does not have sufficient internal financial resources to settle the consideration based on the cash balance of the Group as at 30 June 2016; and (iv) the Company has considered other alternative fund raising methods which are not only costly and time consuming, but also will lead to further dilution of the Shareholders' interest, we are of the view that the proposed financing method to settle the consideration to be fair and reasonable and is in the interest of the Company and its shareholders.

We have reviewed and enquired the qualification and experience of the Xiamen Appraisal in charge of the valuation of the Target Company. We noted that Xiamen Appraisal is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with Xiamen Appraisal that it is a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen Liyuan. We have also reviewed the scope of services provided under the engagement of Xiamen Appraisal by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that Xiamen Appraisal is qualified and possesses sufficient relevant experience in performing the valuation of the Target Company.

As set out in the Valuation Report A prepared by Xiamen Appraisal, the assessed value of the total asset, the net asset and the total liability were approximately RMB3,971.1 million, RMB152.0 million and RMB3,819.1 million respectively as at 31 March 2016. Based on our review of the Valuation Report A and our discussion with Xiamen Appraisal, we noted that the valuation of the Jiangsu Land has been prepared by market approach and the major assumptions include (i) there will be no significant and unpredictable changes in the existing political, legal, financial or economic conditions which might adversely affect the economy in general and the valuation of the Jiangsu Land; (ii) the Target Company continues to operate in the foreseeable future; (iii) the key management will successfully carry out all necessary activities for development of the Target Company; (iv) the Target

Company will comply with the laws and regulations; and (v) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values. The valuation of the other asset and liability has been prepared by cost approach assuming that the Target Company continues to operate in the foreseeable future.

Based on our review and analysis of the Valuation Report A, we consider that this methodology is a commonly adopted approach and justifiable in appraising such assets and liabilities and the assumptions being evaluated and validated can provide a reasonable basic in arriving at the valuation. We consider that the basis and assumptions adopted by Xiamen Appraisal for the valuation are fair and reasonable.

According to the appraised value of the Jiangsu Construction In Progress as at 31 December 2016 extracted by the Valuation Report B as set out in Appendix IV to the Circular, we noted that the appraised value of the Jiangsu Construction In Progress as at 31 October 2016 as assessed by DTZ as set out in Appendix IV to the Circular and we noted that the appraised value of the whole Jiangsu Construction In Progress as at 31 December 2016 was approximately RMB4,184.0 million an increase of 5.4% when compared to the assessed value of approximately RMB3,969.5 million as at 31 March 2016 in the Valuation Report A. The valuation of the Jiangsu Construction In Progress as at 31 December 2016 was performed by DTZ. The Valuation Report B and the corresponding adjustments made are set out in Appendix IV of the Circular.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the DTZ in charge of the valuation. We have checked the website of DTZ and noted that DTZ is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with DTZ that it is a third party independent of the Group and/or and the connected persons of the Group and/or C&D Real Estate and/or Suzhou Zhaokun and/or Xiamen Liyuan and/or Target Company did not have any business relationship except the issue of valuation reports in relation to the Target Company, Joint Venture and other assets of the Group in preparations of the Group's financial reporting. We have also reviewed the scope of services provided under the engagement of DTZ by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that DTZ is qualified and possesses sufficient relevant experience in performing the valuation of the Jiangsu Construction In Progress.

Based on our review of the Valuation Report B and our discussion with DTZ, we noted that for the interests of the Jiangsu Construction In Progress held by Yi Yue, the valuation has been prepared by direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

It was assumed that (i) the Jiangsu Land is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value; (ii) the transferable land use rights in respect of the Jiangsu Land for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid; and (iii) the interest of the Jiangsu Construction In Progress which is currently held under development will be developed and completed in accordance with the latest development proposal provided by the Company. This interest of the Jiangsu Construction In Progress was valued by adopting the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and taking into account (i) the accrued construction cost and professional fees relevant to the respective stage of construction as at the valuation date; and (ii) the remainder of the cost and fees that are expected to be incurred for completing the development. We consider that this methodology is a commonly adopted approach and justifiable and the assumptions are fair and reasonable. Details of the valuation of the Jiangsu Construction In Progress of the Target Company are contained in the property valuation report set out in Appendix IV to the Circular.

Based on our review and analysis of the Valuation Report B, we considered that the valuation approaches adopted are common valuation methodologies in appraising such assets and the basis and assumptions adopted by DTZ for the valuation are fair and reasonable.

Apart from the valuation reports, we also noted the total asset increased from RMB4,011.7 million in the accountants' report as at 30 June 2016 to RMB4,253.4 million in the accountants' report as at 30 September 2016 mainly because of the ongoing development of the Jiangsu Construction In Progress.

Having considered that (i) the total amount of the consideration of the Second Capital Increase is based on the assessed value of net asset and the total liability; (ii) the increase in percentage of planned GFA Completed of the Jiangsu First Phase of 115.63% during the period from 30 June to 31 October 2016; (iii) the moderate increase in both the GDP and general income of local citizens of Suzhou; (iv) the general increase of the housing price in Suzhou from December 2015 to December of 2016 in our research; (v) the long term cooperation with the subsidiaries of C&D Real Estate; and (vi) the Second Capital Increase will be financed by the Group Shareholder Loan whose interest rate is lower than that of the Jiangsu Target Shareholder Loan to be contributed by Yi Yue to the Target Company, we are of the view that the consideration is fair and reasonable.

FINANCIAL EFFECTS OF ENTERING INTO OF THE SHARE TRANSFER AGREEMENTS AND THE SECOND CAPIAL INCREASE AGREEMENT

Upon completion of the Acquisitions, the Group will hold the entire issued share capital of the Joint Venture. Consequently, the Joint Venture will be accounted for as a subsidiary of the Company and the financial results and assets and liabilities of the Joint Venture will be consolidated into the consolidated financial statements of the Company. The accounting treatment of the Joint Venture as a subsidiary of the Company has been agreed with the Auditors.

Further, upon completion of the Second Capital Increase, the Group will hold 50% of the enlarged registered capital of the Target Company. In accordance with the Second Capital Increase Agreement, the Group will be entitled to appoint two directors to the board of directors of the Target Company. The Directors consider that the Group will have significant influence over the Target Company as the shareholding is at 50%. Consequently, the Target Company will be accounted for as a subsidiary of the Company, and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company. The accounting treatment of the Target Company as a subsidiary of the Company has been agreed with the Auditors.

(i) *Earnings*

Based on the annual report of the Company for the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB13 million. Based on the Share Transfer Agreements and the Second Capital Increase Agreement, the Group will lend the Zhangzhou Target Shareholder Loan in the principal amount of RMB404 million to the Joint Venture and the Jiangsu Target Shareholder Loan in the principal amount of RMB1,321 million to the Target Company respectively, both at an annual interest rate of 5.8% which will be financed by the Group Shareholder Loan in the principal amount of RMB1,725 million to be obtained from C&D Real Estate at an annual interest rate of 4.75%. Upon completion of the Acquisition and the Second Capital Increase, it is expected the Group will record a net annual interest income. As it generally takes more than one year to develop the property projects before its completion, revenue from the pre-sale contracts can only be recognized upon completion of the property projects and the titles of the properties are passed to the customers in stages. Therefore, the earnings of both the Target Company and the Joint Venture and in turn the share of results of them would fluctuate from year to year.

(ii) *Cash flow*

Based on the interim report of the Company for the six months ended 30 June 2016, the Group had cash and bank balances of approximately RMB87 million as at 30 June 2016. Pursuant to the Share Transfer Agreements and the Second Capital Increase Agreement, the consideration will be settled in cash which will be financed by the Group Shareholder Loan. Thus, the cash outflow for the settlement of the consideration will be offset by the cash inflow from the Group Shareholder Loan and there will not be any material impact to the cash flow of the Group.

(iii) *Net asset value*

According to the interim report of the Company for the six months ended 30 June 2016, the consolidated net asset as at 30 June 2016 were approximately RMB886 million. Upon completion of the Acquisition and the Second Capital Increase, in view that the inventories of properties of the Group will increase after recognizing the Zhangzhou Land and Jiangsu Land into the Group, and such increase will be larger than the increase in the shareholder's loan which to be used to settle the considerations, the net asset value of the Group will increase.

(iv) *Gearing*

According to the interim report of the Company for the six months ended 30 June 2016, the gearing ratio of the Group as at 30 June 2016 was approximately 35.9%, as derived by dividing the total borrowings of the Group as at 30 June 2016 by the total equity of the Group as at 30 June 2016. After considering the combined effect of the Acquisition, the Second Capital Increase and the issue of the Perpetual Convertible Bond, the liabilities of the Group will increase by the Group Shareholder Loan but offset partly by the repayment of the shareholder's loan by the proceed generated from the issue of the Perpertual Convertible Bond. On the other hand, the equity will increase by the amount of the Perpetual Convertible Bond as it will be accounted for as equity instrument after the completion of the issue of Perpetual Convertible Bond. Due to the fact that the Group Shareholder Loan is larger than the Perpetual Convertible Bond, the gearing ratio will consequently increase.

Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the Share Transfer Agreements, the Second Capital Increase Agreement and transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the terms of the Share Transfer Agreements and the Second Capital Increase Agreement.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Louis Chan**
Managing Director	*Director*

Note: *Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 23 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.*

1. FINANCIAL INFORMATION OF THE GROUP

Financial Information of The Group

Financial information of the Group for each of the two financial years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cndintl.com):

- annual report of the Company for the year ended 31 December 2013 published on 5 March 2014 (pages 47 to 118);
- annual report of the Company for the year ended 31 December 2014 published on 23 March 2015 (pages 51 to 124);
- annual report of the Company for the year ended 31 December 2015 published on 11 April 2016 (pages 52 to 122); and
- interim report of the Company for the six months ended 30 June 2016 published on 23 September 2016 (pages 3 to 33).

STATEMENT OF INDEBTEDNESS

Borrowings — secured

At the close of business on 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had guaranteed interest-bearing bank borrowings of RMB543,236,000. Among the secured interest-bearing bank borrowings of the Enlarged Group, RMB3,236,000 were secured by certain property, plant and equipment and RMB540,000,000 were secured by property under development for sale.

Borrowings — unsecured

At the close of business on 31 December 2016, the Enlarged Group had unsecured and unguaranteed amounts due to non-controlling interests of RMB235,863,000, and unsecured and unguaranteed interest-bearing loan from the intermediate holding company of RMB3,662,522,000.

Financial guarantee contracts

At the close of business on 31 December 2016, the Enlarged Group has provided guarantees to banks and financial institutions for mortgage facilities granted to purchasers of the Enlarged Group's properties amounting to RMB470,856,000. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Capital commitments

At the close of business on 31 December 2016, the Enlarged Group had capital commitments, which were contracted but not provided for, in respect of properties under development of RMB844,068,000.

Pledged assets

The Enlarged Group had pledged its bank deposits of RMB1,475,000 as at 31 December 2016 as a deposit for guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Enlarged Group's property units.

As at 31 December 2016, bank borrowings are effectively secured by the underlying assets that consist of certain of the Enlarged Group's property, plant and equipment with a carrying amount of RMB11,178,000 and properties under development for sale with a carrying amount of RMB3,838,954,000.

Contingent liabilities

As at the close of business on 31 December 2016, the Enlarged Group did not have other significant contingent liabilities.

Disclaimer

Save as aforesaid in this section of the circular and apart from Enlarged intra-group liabilities and normal trade and other payables in the ordinary course of business, at the close of business on 31 December 2016, the Enlarged Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account the financial resources and banking facilities available to the Enlarged Group, the Enlarged Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

2. FINANCIAL INFORMATION OF THE TARGET COMPANY

The financial information of the Target Company is presented in Renminbi, the currency of its primary economic environment in which the Target Company operates (i.e. its functional currency). The accountants' report on the Target Company as prepared by the Auditors has been set out in Appendix II in this circular.

Industry analysis

Early in 2016, under the stimulation of encouraging purchase policy, of which the purpose is "De-stocking", coupled with the support of easing credit environment, the real-estate market in the PRC in the first 10 months of 2016 is extremely popular. After the National Day Holiday, more than 20 cities in the PRC have released new real-estate regulation policies. With the intervening of the regulation policies, the increase of the real-estate price in 2017 will tend to be stabilized or slow down.

Business review

The Target Company is a limited company co-funded by Suzhou Zhaokun and Xiamen Liyuan in October 2015. The core business of the Target Company is real estate development and operation. Before the First Capital Increase Agreement was entered into, the total paid-in capital was RMB100,000,000, in which Suzhou Zhaokun invested RMB95,000,000 and took up 95% of the paid-in capital while Xiamen Liyuan invested RMB5,000,000 and took up 5% of the paid-in capital. On 18 August 2016, Yi Yue entered into the First Capital Increase Agreement with Suzhou Zhaokun and Xiamen Liyuan, pursuant to which Yi Yue contributed an aggregate amount of RMB517,900,000 and acquired approximately 13% of the registered capital of the Target Company.

Suzhou Zhaokan acquired the Jiangsu Land through public bidding in August 2015. The total land assignment contract value is approximately RMB3.7 billion and the accommodation value is approximately RMB11,062 billion. The Jiangsu Land is located at the western area of Wuzhong Dushu Lake and is near the university area of the Suzhou Industrial Zone, which indicates that the Jiangsu Land has good future development prospect. The Target Company is responsible for the development of the Jiangsu Land. Currently, the Jiangsu Land is under construction and is open for pre-sale.

The Target Company has only obtained the Jiangsu Land in December 2015. From 30 October 2015 (date of establishment) to 31 December 2015, the Target Company was still at the stage of construction preparation. Hence, no revenue has been generated and no expense has been incurred yet.

Administrative expenses

The administrative expenses of Target Company for the nine months ended 30 September 2016 were approximately RMB13,532,000. The administrative expenses mainly consist of the advertising fees before the sale of the realty.

Finance costs

The finance costs for the nine months ended 30 September 2016 were approximately RMB1,907,000, mainly consisting of interest expenses. The Target Company's loans mainly consist of interest-bearing loans from the intermediate holding company.

Income tax benefits

The income tax benefits for the nine months ended 30 September 2016 were approximately RMB3,833,000 as a result of the recognition of deferred income tax assets.

Capital structure

As at 31 December 2015 and 30 June 2016, the registered capital of the Target Company was RMB100,000,000. After the First Capital Increase Agreement was entered into, the registered capital of the Target Company has increased to RMB114,940,000.

Financial resources

As at 30 September 2016, the Target Company's financing mainly relied on interest-bearing loans from C&D Real Estate. For the financing of the project (other than the additional registered capital and the initial funding of infrastructure will be advanced by the contractor), BOC Bank will offer bank facilities amounting to RMB2,600,000,000 for project construction to the Target Company with guarantee from C&D Real Estate and the Jiangsu Land as mortgage.

No particular trend of seasonality was observed for the Target Company's borrowing requirements for the year ended 30 September 2016.

Future plans for material investments or capital assets

As at 30 September 2016, the Target Company did not have any specific plan for material investments or capital assets. The Target Company will actively seek strategic opportunities in the development of real estate properties in the Jiangsu Land.

Charge on group assets

As at 30 September 2016, the Target Company had a restricted bank deposit of approximately RMB112,048,000, which included (i) bank deposits placed in designated bank accounts which could only be used for property maintenance, and (ii) guaranteed deposits placed with banks in relation to mortgage facilities granted to the purchasers of the Group's properties. The Target Company used its borrowings to finance its property development and overall expansion of its business.

Net gearing ratio

The net gearing ratio is calculated by dividing the net debt with equity attributable to owners of the parent. The net debt is defined as the difference between (i) interest-bearing bank borrowings and (ii) sum of cash and cash equivalents and pledged deposits and (iii) loan from intermediate holding company.

As at 30 September 2016, the Target Company had loan from intermediate holding company of approximately RMB3,569,246,000 denominated in RMB.

As at 30 September 2016, the Target Company's net gearing ratio is 4.036%.

Currently, the Target Company's financing mainly relies on interest loans from C&D Real Estate. As the Target Company has sufficient cash to settle the outstanding debt, no net debt is recorded from 30 October 2015 to 31 December 2015 and nine months ended 30 September 2016.

Employees and remuneration policies

The Target Company had no staff member and 38 staff members as at 31 December 2015 and 30 September 2016 respectively. Staff costs for the years ended 31 December 2015 and the nine months ended 30 September 2016 were zero and RMB2,902,000 respectively. The Target Company's remuneration policy is in line with the prevailing market practice on performance of individual staff and the Target Company operates a bonus plan to reward the staff on a performance related basis.

Foreign exchange risk

The Target Company's operations are located in the PRC and its assets, liabilities and transactions are primarily denominated in RMB. Therefore, there is no significant foreign exchange risk. The Target Company does not have any foreign exchange hedging arrangements.

Contingent liabilities

The Target Company had no significant contingent liabilities as at 31 December 2015 and 30 September 2016.

Capital commitments

As at 31 December 2015 and 30 September 2016, capital commitments of the Target Company amounted to RMB8,447,000 and RMB324,508,000 respectively.

3. FINANCIAL INFORMATION OF THE JOINT VENTURE

The financial information of the Joint Venture is presented in Renminbi, the currency of its primary economic environment in which the Joint Venture operates (i.e. its functional currency). The accountants' report on the Joint Venture as prepared by the Auditors has been set out in Appendix II in this circular.

Industry analysis

Early in 2016, under the stimulation of encouraging purchase policy, of which the purpose is "De-stocking", coupled with the support of easing credit environment, the real-estate market in the

PRC in the first 10 months of 2016 is extremely popular. After the National Day Holiday, more than 20 cities in the PRC have released new real-estate regulation policies. With the intervening of the regulation policies, the increase of the real-estate price in 2017 will tend to be stabilized or slow down.

Business review

The Joint Venture is a limited liability company established by Yi Yue and Zhao Run on 1 December 2015 which was owned as to 40% by Yi Yue and 60% by Zhao Run respectively. Subsequently, Zhao Run and Licheng entered into an equity transfer agreement on 28 April 2016, pursuant to which, Zhao Run agreed to sell and Licheng agreed to purchase 30% equity interest of the Joint Venture. The main business of the Joint Venture is real estate development and operation. The paid-up capital amounted to RMB50,000,000, which is owned by Yi Yue, Zhao Run and Licheng as to RMB20,000,000, RMB15,000,000 and RMB15,000,000 respectively.

Zhao Run won the Zhangzhou Land through bidding on 17 November 2015 and transferred the Zhangzhou Land to the Joint Venture on 30 December 2015. The Joint Venture was established as a project company for the development of the Zhangzhou Land on 1 December 2015. The Zhangzhou Land is located to the west of Hubin Road, Longwen District, Zhangzhou City and north of Huge Road. High-end properties are located to its northeast, and Bihu Lake and an ecological park are located to its south. Overlooking the Jiulong River, the Zhangzhou Land enjoys scenic advantages. Besides, the project is located at the core region of Bihu Ecological Park and has unique natural geographical advantages. The Zhangzhou Land has strong potential for appreciation in property value because of its geographical location. The Joint Venture is responsible for the development of the Zhangzhou Land. Currently, the Zhangzhou Land is under construction and is open for pre-sale.

The Joint Venture acquired the Zhangzhou Land on 30 December 2015. From 1 December 2015 (date of establishment) to 31 December 2015, the Joint Venture is still in the construction preparatory stage. As a result, it only incurred an advertising cost of RMB44,000.

Administrative expenses

The administrative expenses of the Joint Venture for the nine months ended 30 September 2016 were approximately RMB831,000. The expenses were mainly the advertising fees before the sale of the realty.

Finance costs

The finance costs for the nine months ended 30 September 2016 were approximately RMB853,000, mainly consisting of interest expenses. The Joint Venture loans mainly consist of interest-bearing loans from the intermediate holding company.

Capital structure

As at 31 December 2015 and 30 September 2016, the registered capital of the Joint Venture was RMB50,000,000.

Financial resources

As at 30 September 2016, the financing of the Joint Venture mainly relied on interest-bearing loans from C&D Real Estate. For the financing of the project (other than the additional registered capital and the initial funding of infrastructure will be advanced by the contractor), China Construction Bank will offer bank facilities amounting to RMB500,000,000 for project construction to the Joint Venture with guarantee from C&D Real Estate and the Zhangzhou Land as mortgage.

No particular trend of seasonality was observed for the Joint Venture's borrowing requirements for the year ended 30 September 2016.

Future plans for material investments or capital assets

As at 30 September 2016, the Joint Venture did not have any specific plan for material investments or capital assets. The Joint Venture will actively seek strategic opportunities in the development of real estate properties in the Zhangzhou Land.

Charge on group assets

As at 30 September 2016, the Joint Venture did not have any charge on assets.

Net gearing ratio

The net gearing ratio is calculated by dividing the net debt with equity attributable to owners of the parent. The net debt is defined as the difference between (i) interest-bearing bank borrowings and (ii) sum of cash and cash equivalents and pledged deposits and (iii) loan from intermediate holding company.

As at 30 September 2016, the Joint Venture had loan from intermediate holding company of approximately RMB673,444,000 denominated in RMB.

As at 30 September 2016, the Joint Venture's net gearing ratio is 1.388%.

Currently, the Joint Venture's financing mainly relies on interest-bearing loans from the controlling shareholder. As the Joint Venture has sufficient cash to settle the outstanding debt, no net debt is recorded from 1 December 2015 to 31 December 2015 and nine months ended 30 September 2016.

Employees and remuneration policies

The Joint Venture had no staff member and 25 staff members as at 31 December 2015 and 30 September 2016 respectively. Staff costs for the years ended 31 December 2015 and the nine months ended 30 September 2016 were zero and RMB3,799,000 respectively. The Joint Venture's remuneration policy is in line with the prevailing market practice on performance of individual staff and the Joint Venture operates a bonus plan to reward the staff on a performance related basis.

Foreign exchange risk

The Joint Venture's operations are located in the PRC and its assets, liabilities and transactions are primarily denominated in RMB. Therefore, there is no significant foreign exchange risk. The Joint Venture does not have any foreign exchange hedging arrangements.

Contingent liabilities

The Joint Venture had no significant contingent liabilities as at 31 December 2015 and 30 September 2016.

Capital commitments

As at 31 December 2015 and 30 September 2016, capital commitments of the Joint Venture amounted to RMB47,000 and RMB311,743,000 respectively.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Upon completion of the Acquisitions, the Group will hold the entire issued share capital of the Joint Venture. Consequently, the Joint Venture will be accounted for as a subsidiary of the Company, and the financial results and assets and liabilities of the Joint Venture will be consolidated into the consolidated financial statements of the Company. Further, upon completion of the Second Capital Increase, the Group will hold 50% of the enlarged registered capital of the Target Company. In accordance with the Second Capital Increase Agreement, the Group will be entitled to appoint two directors to the board of directors of the Target Company. The Directors consider that the Group will have significant influence over the Target Company as the shareholding is at 50%. Consequently, the Target Company will be accounted for as a subsidiary of the Company, and the financial results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

Leveraging on the strong background of C&D Real Estate, as a state-owned enterprise and its abundant financial support, the Group will continue to acquire land efficiently at competitive prices and increase high-quality land reserves by developing properties with C&D Real Estate or investing in properties owned by C&D Real Estate. For the purpose of business operations, the Group will make full use of the branding strength, operational excellence and financial advantages of C&D Real Estate. The Group's projects will be conducted under the brand of C&D Real Estate to obtain brand premium. In terms of operation, management and customer resources of C&D Real Estate will help to reduce operating costs and improve operating efficiency of the Group. In terms of financing, the Group will adopt a diversified yet prudent financing approach to obtain low-cost funds with C&D Real Estate's excellent credit.

With respect to the positioning and planning of the Group, the Group will strive to be an "Integrated Investment Service Provider in the Real Estate Industry Chain", always adhering to create an integral value for customers. While focusing on its principal business of property development, the

Group will, based on the upstream and downstream industry chain of real estate, actively expand its business boundaries, extend business lines in the industrial chain, seek opportunities to speed up its business layout and nurture related industrial chain businesses, such as commercial operation management, entrusted construction consultancy services, consumption and industrial finance, cultural and creative industrial park, smart home and smart city.

With a growing aging population in the PRC and significant increase in the demand for health care, the Group will collaborate with strategic partners to seek opportunities to make strategic investment in health and pension industries by leveraging on resources and experience accumulated over the years by Xiamen C&D Corporation Limited and C&D Real Estate in the health care and other service sectors. In addition, the Company will actively look for relative safe financial investment opportunities to gain stable investment returns.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the annual reports of the Company for each of the financial years ended 31 December 2013, 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016, published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cndintl.com). Terms used below shall have the same meanings as defined in the aforesaid reports.

The management discussion and analysis for each financial year or the financial period should be read in conjunction with the financial information of the Group included in the respective annual or interim reports of the Company.

For the six months ended 30 June 2016

Liquidity and financial resources

The Group continued to adopt a prudent financing policy and sustain a sound capital structure with healthy cash flow. As at 30 June 2016, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB87.35 million while total assets and net assets (after deducting non-controlling interests) were approximately RMB1,670.20 million and RMB769.20 million, respectively. As at 30 June 2016, the Group's working capital amounted to approximately RMB602.56 million. As at 30 June 2016, the Group recorded net liabilities of RMB230.81 million and its net debt to equity ratio was 26.1%.

As at 30 June 2016, the Group had (i) a loan facility of approximately RMB3.50 million denominated in HK$ with a floating interest rate of 3.5% per annum; and (ii) loans from intermediate holding company of approximately RMB314.70 million denominated in RMB and bearing interest at the PBoC Rate. The Group did not have bank borrowings denominated in RMB.

Of the total borrowings, approximately RMB3.50 million was repayable within one year and approximately RMB314.70 million was repayable after one year but within three years.

Capital structure

As at 30 June 2016, the Company's issued share capital remained at HK$36 million, divided into 360,000,000 ordinary shares of HK$0.1 each.

Revenue and profitability

As at 30 June 2016, the Group's revenue was derived from (i) sales of properties; (ii) rental income of investment properties owned by the Group and independent third parties; (iii) property management income; and (iv) consultancy service income.

Sales of properties amounted to approximately RMB1.46 million for the six months ended 30 June 2016. Saleable GFA delivered for the six months ended 30 June 2016 were approximately 223 sq.m.. The revenue from sales of properties during the period decreased as compared with the corresponding period of previous year because the new property development projects were yet to be completed for delivery, while there remained very limited number of properties on sale. In addition to that, the occupancy rate for projects was low and the sales of car parking space also decreased as compared with the corresponding period of previous year.

Cost of sales amounted to approximately RMB10.26 million for the six months ended 30 June 2016. The decrease when compared to the corresponding period last year was primarily attributable to the decrease in saleable GFA sold and delivered in relation to Li Yuan during the period.

The gross profit amounted to approximately RMB24.15 million for the six months ended 30 June 2016, representing a gross profit margin of approximately 70%. The overall increase in gross profit margin when compared to the corresponding period last year was mainly due to the increase in property leasing business during the period.

Other income amounted to approximately RMB5 million for the six months ended 30 June 2016. The main reason for the increase when compared to the corresponding period last year was that there were reversals of expenses during the period as the Board determined not to pay the remuneration of the executive Directors for 2015.

As a combined effect of the foregoing factors, the Group had recorded a profit before tax of approximately RMB13.94 million for the six months ended 30 June 2016.

Profit for the period attributable to owners of the Company

The profit for the period attributable to the owners of the Company amounted to approximately RMB11.92 million for the six months ended 30 June 2016.

Future plans for material investments or capital assets

With growing aging population in the PRC and significant increase in demand for health care, the Group would collaborate with strategic partners to seek opportunities to make strategic investment in health and pension industries by leveraging on resources and experience accumulated over the years by Xiamen C&D Corporation Limited and C&D Real Estate, in health care and other service sectors. In addition, the Company would actively look for relatively safe financial investment opportunities to gain stable investment returns.

Material acquisitions or disposals of subsidiaries and associated companies

There was no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2016.

Market segment

In the six months ended 30 June 2016, the real estate market in the PRC continued its upward trend since the second half of 2015. As affected by moderately easing monetary policy and real estate industry policy in the PRC, the real estate market in the PRC showed a strong recovery trend, which can be evidenced not only by significant increase in selling volume and price of properties in first-tier cities such as Beijing and Shanghai, but also by significant increase in selling price in major second-tier cities such as Suzhou, Xiamen, Hefei and Nanjing.

Employees and remuneration policies

As at 30 June 2016, the Group employed a total of 174 full-time employees. The total salaries and related costs (including the Directors' fee) amounted to approximately RMB9.6million for the six months ended 30 June 2016. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses were offered to those staff with outstanding performance. A share option scheme was adopted to attract and retain eligible employees to contribute to the Group.

Charge on group assets

The Group's bank loans were guaranteed by its legal charge over its property, plant and equipment with the carrying amount of approximately RMB10.858 million as at 30 June 2016.

Gearing ratio

The Group's gearing ratio, defined as the total borrowings divided by total equity, was 35.9% as at 30 June 2016.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2016.

Foreign currency exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with their revenues and expenses denominated mainly in RMB.

As at 30 June 2016, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the period.

For the year ended 31 December 2015

Liquidity and financial resources

The Group continued to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2015, the Group's cash and cash equivalents and restricted cash amounted to approximately RMB71.9 million while total assets and net assets (after deducting non-controlling interests) were approximately RMB1,280.5 million and RMB757.2 million respectively. As at 31 December 2015, the Group's working capital amounted to approximately RMB419.1 million. As at 31 December 2015, the Group recorded net debt of approximately RMB47.3 million with net debt to equity ratio of 5.6%.

As at 31 December 2015, the Group had (i) a loan facility of approximately RMB3.7 million denominated in HK$ and bore a floating interest rate of 3.5% per annum, and (ii) loan from intermediate holding company of approximately RMB115.5 million denominated in RMB and bore a 3-year floating lending rate of People's Bank of China per annum. The Group had no bank borrowings which was denominated in RMB. No particular trend of seasonality was observed for the Group's borrowing requirements for the year ended 31 December 2015.

Of the total borrowings, approximately RMB3.7 million was repayable within one year while approximately RMB115.5 million was repayable after one year but within three years.

Capital structure

As at 31 December 2015, the Company's issued share capital increased to HK$36,000,000, divided into 360,000,000 ordinary shares of HK$0.1 each.

Revenue and profitability

During the year ended 31 December 2015, the Group's revenue was derived from (i) sales of properties; (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

Sales of properties amounted to approximately RMB84.1 million in 2015. Saleable GFA delivered for the financial year ended 31 December 2015 was approximately 9,349 sq. m.. The revenue derived from the sales of properties for the year ended 31 December 2015 decreased when compared to the previous year as the decrease in saleable GFA sold and delivered in the year ended 31 December 2015.

Cost of sales amounted to approximately RMB70.3 million for the year ended 31 December 2015. This decrease when compared to the previous year was primarily attributable to the decrease in saleable GFA of Li Yuan sold and delivered during the year ended 31 December 2015.

The gross profit amounted to approximately RMB63.5 million for the year ended 31 December 2015, representing a gross profit margin of approximately 47.5%. The overall increase in gross profit margin when compared to the previous year was mainly due to the relatively higher gross profit margin contributed by the sales of commercial shops of Li Yuan in the year ended 31 December 2015.

Other income amounted to approximately RMB3.2 million for the year ended 31 December 2015. The main reason for the increase when compared to the previous year was an increase in bank interest income in the year ended 31 December 2015.

As a cumulative effect of the foregoing factors, the Group had recorded a profit before income tax of approximately RMB35.5 million for the year ended 31 December 2015.

Profit for the period attributable to owners of the Company

The profit attributable to the equity holders of the Company amounted to approximately RMB12.7 million for the year ended 31 December 2015.

Future plans for material investments or capital assets

For the Group's positioning and planning, the Group would engage in light-asset extension business related to the real estate industry such as construction contractor and commercial operation management while performing its major property business in future. Moreover, the Group would also actively seek for the right timing to increase investments in sectors such as properties for the elderly, cultural properties, construction of environmental protection ancillary facilities and infrastructure, and investment in other emerging industries. By leveraging the abundant resources and mature branding strength of its parent, introducing advanced management concepts and excellent corporate culture to fully utilize the advantages of the capital platform in Hong Kong, the Group was gradually approaching the new stage of leaping development.

Material acquisitions or disposals of subsidiaries and associated companies

In 2015, the Company acquired 3 additional parcels of land by way of independent bidding, acquisition of equity interest and equity participation, representing an increase of 520,800 sq.m. in land reserve, the attributable equity portion was approximately 340,100 sq.m.

Market segment

In 2015, the global economy underwent extensive adjustment, specifically, the economy of the PRC had entered into a state of "New Normality" with slower economic growth, transforming the PRC's economic structure and switching growth forces. In relation to the real estate industry in the PRC, the investment growth had slowed down significantly, with the market hitting new highs amidst downturn, and the property enterprises transforming steadily with differentiations in the industry. Facing challenges to economic growth and down side pressure, policies with positive stimulation effect were launched, and positive adjustment measures covering various aspects, such as finance and taxation, continued through to the end of 2015.

Employees and remuneration policies

As at 31 December 2015, the Group employed a total of 92 full-time employees. Total staff costs, including Directors' emoluments, of the Group were approximately RMB16.5 million. The Group reviewed the remuneration policies and packages on a regular basis and made necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses were offered to those staff with outstanding performance. A share option scheme was adopted to attract and retain eligible employees to contribute to the Group.

Charge on group assets

The Group used the facilities from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by property, plant and equipment.

Gearing ratio

The Group's gearing ratio was 14% as at 31 December 2015.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2015.

Foreign currency exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Company's subsidiaries denominated mainly in RMB.

As at 31 December 2015, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the year.

For the year ended 31 December 2014

Liquidity and financial resources

The Group continued to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2014, the Group's cash and cash equivalents and restricted cash amounted to approximately HK$194.6 million while total assets and net assets (after deducting non-controlling interests) were approximately HK$1,200.0 million and HK$693.2 million, respectively. As at 31 December 2014, the Group's working capital amounted to approximately HK$190.7 million. As at 31 December 2014, the Group did not have any net debt gearing and recorded a net cash balance of HK$106.2 million.

As at 31 December 2014, the Group had (i) bank borrowings of HK$83.0 million denominated in RMB and bore a floating interest rate of 7.69% to 8.19% per annum, and (ii) a loan facility of approximately HK$5.4 million denominated in Hong Kong dollar and bore a floating interest rate of 3.5% per annum. No particular trend of seasonality was observed for the Group's borrowing requirements for the Year.

Of the total borrowings, approximately HK$14.1 million was repayable within one year while approximately HK$74.3 million was repayable after one year.

Capital structure

As at 31 December 2014, the Company's issued share capital was HK$30,000,000, divided into 300,000,000 ordinary shares of HK$0.1 each.

Revenue and profitability

During the year ended 31 December 2014, the Group's revenue was derived from (i) sales of properties (most of which were residential units of the Li Yuan Project ("**Li Yuan**")); (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

Sales of properties amounted to approximately HK$280.9 million (derived mainly from Li Yuan) in 2014. Saleable GFA delivered for the financial year ended 31 December 2014 was approximately 32,258 sq. m.. The rise in saleable GFA in the year ended 31 December 2014 as compared to last year did not bring up the revenue derived from the sales of properties for the year ended 31 December 2014 because the selling prices of Li Yuan's residential units were substantially lower than those of Fond England Project.

Cost of sales amounted to approximately HK$260.9 million for the year ended 31 December 2014. This increase when compared to the previous year was primarily attributable to the increase in the unit costs of saleable GFA sold and delivered in relation to Li Yuan during the year ended 31 December 2014.

The gross profit amounted to approximately HK$81.7 million for the year ended 31 December 2014, representing a gross profit margin of approximately 36.1%. The overall decrease in gross profit margin when compared to the previous year was mainly due to the decrease in gross profit margin of the sales of properties in the year ended 31 December 2014.

Other income amounted to approximately HK$1.5 million for the year ended 31 December 2014. The main reason for the decrease when compared to the previous year was that dividend income was no longer received after the disposal of the available-for-sale financial assets in the year ended 31 December 2014.

As a cumulative effect of the foregoing factors, the Group had recorded a profit before income tax of approximately HK$58.7 million for the year ended 31 December 2014.

Profit for the period attributable to owners of the Company

The profit attributable to the owners of the Company amounted to approximately HK$31.3 million for the year ended 31 December 2014.

Future plans for material investments or capital assets

The Group would continue to adhere to the strategy previously formulated of putting emphasis on quality, comfort, and, above all, environmental friendliness in the property development, property leasing and property related management businesses. The Group strived to expand its (i) property leasing, (ii) property related management and consultancy, and (iii) property development businesses by the application of green technology, including the operation and management of featured theme shopping mall, commercial and residential properties and the development of property projects with a green-focus. The Group would also proactively explore business and/or investment opportunities for the Group, both within and outside Nanning.

Material acquisitions or disposals of subsidiaries and associated companies

During the year ended 31 December 2014, the Group entered into agreement with an independent third party to dispose of all of its unlisted equity investments at a cash consideration of approximately HK$7,956,000 which was the same as its carrying amount. The disposal was completed on 21 March 2014.

Well Land completed on 23 December 2014 the acquisition of an aggregate of 75% of the issued share capital of the Company (previously known as South West Eco Development Limited) ("**South West Eco**") from the then controlling shareholders of South West Eco (collectively, the "**Vendors**") at the consideration of HK$3.2668 per sale share and pursuant to a share purchase agreement entered into by, among others, Well Land and the Vendors on 10 December 2014.

Market segment

During the year ended 31 December 2014, the PRC's central government's persistent monetary and credit tightening policies and property market control measures had continued to operate. Accordingly, the revenue of the Group decreased to HK$342.6 million, of which the revenue from projects sold and delivered decreased to HK$280.9 million. However, the rental income from investment properties of the Group increased to HK$52.1 million. In the capital market, the listing of the Company's shares was successfully transferred from the Growth Enterprise Market to the Main Board of the Stock Exchange.

Employees and remuneration policies

As at 31 December 2014, the Group employed a total of 103 full-time employees. Total staff costs, including Directors' emoluments, of the Group were approximately HK$25.9 million. The Group reviews the remuneration policies and packages on a regular basis and makes necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses were offered to those staff with outstanding performance. A share option scheme was adopted to attract and retain eligible employees to contribute to the Group.

Charge on group assets

The Group used the facilities from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by interests in leasehold land, property, plant and equipment, investment properties, bank deposits and assignments of rental income arising from the tenancy agreements of subsidiaries' certain properties.

Gearing ratio

The Group's gearing ratio was 11.5% as at 31 December 2014.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2014.

Foreign currency exposure

The business operations of the Company's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Company's subsidiaries denominated mainly in RMB.

Among the Group's cash and cash equivalents, approximately 1.3% were denominated in Hong Kong dollar and 98.7% were denominated in RMB.

Among the Group's total borrowings of approximately HK$88.4 million, 6.1% were denominated in Hong Kong dollar and 93.9% were denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollar against RMB as the Group's functional currency may have a financial impact on the Group.

As the Directors considered the Group's foreign exchange risk to be insignificant, the Group did not use any financial instruments for hedging purposes during the year ended 31 December 2014.

For the year ended 31 December 2013

Liquidity and financial resources

The Group had net cash (total borrowings less cash and cash equivalents) of approximately HK$54.6 million as at 31 December 2013. As at 31 December 2013, the Group's cash and cash equivalents and restricted cash amounted to approximately HK$105.1 million in total. Total borrowings as at 31 December 2013 was approximately HK$50.5 million.

Of the total borrowings, approximately HK$12.3 million was repayable within one year while approximately HK$38.2 million was repayable after one year.

Capital structure

As at 31 December 2013, the Company's issued share capital remained at HK$30,000,000, divided into 300,000,000 ordinary shares of HK$0.1 each.

Revenue and profitability

During the year ended 31 December 2013, the Group's revenue was derived from (i) sales of properties (most of which were residential units, commercial units and car parks of Fond England); (ii) rental income of investment properties owned by the Group and independent third parties; (iii) building management income; and (iv) consultancy service income.

Sales of properties amounted to approximately HK$310.3 million in 2013. This decrease was primarily due to a decrease in the saleable GFA sold in Fond England in the year 2013. Saleable GFA delivered for the financial years ended 31 December 2013 were approximately 25,772 sq.m..

Cost of sales amounted to approximately HK$258.7 million for the year ended 31 December 2013. This decrease when compared to the previous year was primarily attributable to the decrease in saleable GFA sold and delivered in relation to Fond England during 2013.

The gross profit amounted to approximately HK$138.5 million for the year ended 31 December 2013, representing a gross profit margin of approximately 36.2%. The overall decrease in gross profit margin when compared to the previous year was mainly due to a decrease in gross profit margin in the building management services segment in 2013.

Other income amounted to approximately HK$4.4 million for the year ended 31 December 2013. The main reason for the increase when compared to the previous year came from the increase in the bank interest income and gain on currency exchange in 2013.

As a cumulative effect of the foregoing factors, the Group had recorded a profit before tax of approximately HK$119.3 million for the year ended 31 December 2013.

Profit for the period attributable to owners of the Company

The profit for the year attributed to the owners of the Company amounted to approximately HK$63.5 million for the year ended 31 December 2013.

Future plans for material investments or capital assets

The Group would continue to engage in the property development, property leasing and property related management and consultancy businesses with emphasis on quality, comfort, and, above all, environmental friendliness. The Group aimed to expand its (i) property leasing, (ii) property related management and consultancy, and (iii) property development businesses by application of green technology, including the operation and management of featured theme shopping mall, commercial and residential properties and the development of property projects with a green-focus.

The Company would also grasp every opportunity that would promote the Group's corporate profile, enhance its image and provide it with a better channel to gain access to the capital markets to increase its financial flexibility.

Material acquisitions or disposals of subsidiaries and associated companies

There was no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2013.

Market segment

Despite the central government of the PRC's persistent monetary and credit tightening policies and property market control measures in 2013, the impact on the property prices in the city of Nanning and the subsequent market reaction arising from these policies and measures was mild, which was clearly demonstrated by the positive performance of contracted pre-sales at Li Yuan recorded during the year of 2013. The Group remained confident in the prospects for the property market in Nanning.

Employees and remuneration policies

As at 31 December 2013, the Group employed a total of 193 full-time employees. Total staff costs, including Directors' emoluments, of the Group were approximately HK$36.0 million. The Group reviewed the remuneration policies and packages on a regular basis and made necessary adjustment commensurate with the remuneration level in the industry. In addition to a basic monthly salary, year-end bonuses were offered to those staff with outstanding performance. A share option scheme was adopted on 23 November 2012 to attract and retain eligible employees to contribute to the Group. As at 31 December 2013, no option had been granted under the share option scheme.

Charge on group assets

The Group used the facilities from its bank and other borrowings to finance its property development and overall expansion of its business. Secured borrowings were secured by property, plant and equipment, interests in leasehold land, investment properties, bank deposits and assignments of rental income arising from the leasing of subsidiaries' certain properties.

Gearing ratio

The Group's gearing ratio was 6.7% as at 31 December 2013.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2013.

Foreign currency exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2013, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2013, the Group did not use any financial instruments for hedging purposes.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
致同

25 February 2017

The Directors
C&D International Investment Group Limited

Dear Sirs,

We set out below our report on the financial information of Suzhou Zhaoxiang Real Estate Development Company Limited (the "Target Company" or "Suzhou Zhaoxiang"), which comprises the statements of financial position of the Target Company as at 31 December 2015 and 30 September 2016, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 and for the nine months ended 30 September 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 25 February 2017 (the "Circular") in connection with the proposed acquisition of 37% equity interest in the Target Company by the Company.

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 30 October 2015. The Target Company is located in Suzhou City, Jiangsu Province, the PRC, and is principally engaged in properties development in the PRC.

The Target Company has adopted 31 December as its financial year end date. The statutory financial statements of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 were audited by Grant Thornton LLP (致同會計師事務所(特殊普通合夥)) and were prepared in accordance with the Accounting Standards of Business Enterprises issued by the Ministry of finance of the PRC.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Target Company in respect of any period subsequent to 30 September 2016.

Opinion

In our opinion, the Financial Information give, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 December 2015 and 30 September 2016 and of its financial performance and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the financial information of the Target Company prepared by the directors of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 and for the nine months ended 30 September 2016 (the "Financial Information"):

(A) STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**Period from 30 October 2015 (date of establishment) to 31 December 2015**	**Nine months ended 30 September 2016**
		RMB'000	*RMB'000*
Revenue	4	—	—
Other income	5	—	49
Administrative expenses		—	(13,532)
Finance costs	6	—	(1,907)
Loss before income tax	7	—	(15,390)
Income tax credit, net	8	—	3,833
Loss and total comprehensive loss for the period		—	(11,557)

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
Non-current assets			
Property, plant and equipment	11	—	874
Deferred tax assets	12	—	9,197
		—	10,071
Current assets			
Properties under development for sale	13	3,842,155	4,117,595
Other receivables	14	1,050	3,886
Cash and cash equivalents	15	795	121,816
		3,844,000	4,243,297
Current liabilities			
Trade and other payables	16	112,367	215,506
Advance received from the pre-sale of properties under development for sale		—	374,770
Amount due to immediate holding company	17	—	39
Income tax liabilities		—	5,364
		112,367	595,679
Net current assets		3,731,633	3,647,618
Total assets less current liabilities		3,731,633	3,657,689
Non-current liabilities			
Loan from intermediate holding company	17	3,631,633	3,569,246
Net assets		100,000	88,443
EQUITY			
Paid-up capital	18	100,000	100,000
Accumulated losses		—	(11,557)
Total equity		100,000	88,443

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*
At 30 October 2015 (date of establishment)	—	—	—
Capital contribution from shareholders (note 18)	100,000	—	100,000
Loss and total comprehensive loss for the period	—	—	—
At 31 December 2015 and 1 January 2016	100,000	—	100,000
Loss and total comprehensive loss for the period	—	(11,557)	(11,557)
At 30 September 2016	100,000	(11,557)	88,443

(D) STATEMENTS OF CASH FLOWS

	Notes	**Period from 30 October 2015 (date of establishment) to 31 December 2015**	**Nine months ended 30 September 2016**
		RMB'000	*RMB'000*
Cash flows from operating activities			
Loss before income tax		—	(15,390)
Adjustment for:			
Depreciation of property, plant and equipment		—	47
Interest income		—	(9)
Finance costs		—	1,907
Operating loss before working capital changes		—	(13,445)
Increase in properties under development for sale		(3,842,155)	(109,481)
Increase in other receivables		(1,050)	(2,836)
Increase/(decrease) in trade and other payables		112,367	(64,727)
Increase in advance received from the pre-sale of properties under development for sale		—	374,770
Net cash (used in)/from operating activities		(3,730,838)	184,281
Cash flows from investing activities			
Interest received		—	9
Purchase of property, plant and equipment		—	(921)
Increase in restricted and pledged bank deposits		—	(112,048)
Net cash used in investing activities		—	(112,960)
Cash flows from financing activities			
Capital contribution from shareholders		100,000	—
Increase in amount due to immediate holding company		—	39
Addition in/(repayment of) loan from intermediate holding company		3,631,633	(62,387)
Net cash from/(used in) financing activities		3,731,633	(62,348)
Net increase in cash and cash equivalents		795	8,973
Cash and cash equivalents at the beginning of the period		—	795
Cash and cash equivalents at the end of the period	15	795	9,768

(II) NOTES TO THE FINANCIAL INFORMATION OF THE TARGET COMPANY

1. GENERAL INFORMATION

Suzhou Zhaoxiang was established in the PRC with limited liability on 30 October 2015. The address of its registered office is Room. 206, Building 1, 178 TaYun Road, YveXi Subdistrict, WuZhong Economic Development District, Suzhou City, Jiangsu Province, the PRC. The Target Company is principally engaged in properties development in the PRC.

In the opinion of the directors of Suzhou Zhaoxiang, the immediate holding company and ultimate holding company of Suzhou Zhaoxiang are Suzhou Zhaokun Real Estate Development Company Limited and Xiamen C&D Corporation Limited, companies incorporated in the PRC, respectively.

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Target Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 **Basis of preparation**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently applied all HKFRSs which are applicable to its financial period beginning on 30 October 2015 (date of establishment) to 31 December 2015 and the nine months ended 30 September 2016. The significant accounting policies that have been used in the preparation of the Financial Information have been consistently applied throughout the Relevant Periods. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on the Target Company's Financial Information, if any, are disclosed in note 2.2.

The Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting polices below.

As at 30 September 2016, the Target Company had not yet generated any revenue and was dependent on financial support from its intermediate holding company C&D Real Estate Corporation Limited ("C&D Real Estate"), for further property development and working capital. The Financial Information have been prepared on a going concern basis as the intermediate holding company of the Target Company, has undertaken to provide the necessary financial support to the Target Company when its debts fall due. The directors believe that the Target Company will be able to meet its financial obligations for the foreseeable future. Consequently, the Financial Information has been prepared on a going concern basis.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. 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 3 below.

2.2 **Issued but not yet effective HKFRSs**

The Target Company has not early adopted the following new or amended HKFRSs which have been issued and are relevant to the Financial Information but are not yet effective for the Relevant Periods:

		Effective for accounting periods beginning on or after
HKFRS 9 (2014)	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Target Company anticipate that all of the pronouncements will be adopted in the Target Company's accounting policies for the first period beginning after the effective dates of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Target Company's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Financial Information.

HKFRS 9 (2014) "Financial Instruments"

The release of HKFRS 9 "Financial Instruments" (2014) represents the completion of the project to replace HKAS 39. The new standard introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. HKFRS 9 also provides new guidance on the application of hedge accounting.

The Target Company has started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage, the main areas of expected impact are as follows:

- the classification and measurement of the Target Company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the Target Company's receivables to reflect changes in credit risk since initial recognition.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Target Company is yet to assess HKFRS 15's full impact.

HKFRS 16 "Leases"

HKFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Target Company is yet to assess HKFRS 16's full impact.

2.3 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the rates per annum as follows:

Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvement	50%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.4 **Financial assets**

The Target Company's accounting policies for financial assets are set out below. Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date (the date on which the Target Company commits to purchase or sell the asset). When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are subsequently measured at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Company about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

— The disappearance of an active market for that financial assets because of financial difficulties; and

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses on financial assets are written off against the corresponding assets directly. Subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.5 **Properties under development for sale**

Properties under development for sale are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Properties under development for sale are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Costs include properties consist of land held under operating lease, development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

Properties under development for sale are transferred to properties held for sale upon completion.

2.6 **Cash and cash equivalents**

Cash and cash equivalents represent bank balances.

2.7 **Financial liabilities**

The Target Company's financial liabilities included trade and other payables, amount due to immediate holding company and loan from intermediate holding company.

Financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Target Company's accounting policy for borrowing costs (see note 2.13).

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

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

Trade and other payables, amount due to immediate holding company and loan from intermediate holding company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.8 **Financial guarantees issued**

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

Where the Target Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Target Company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Target Company under the guarantee and the amount of that claim on the Target Company is expected to exceed the current carrying amount i.e., the amount initially recognised less accumulated amortisation, where appropriate.

2.9 **Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Target Company has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

2.10 **Interest income**

Interest income is recognised on a time-proportion basis using effective interest method.

2.11 **Impairment of non-financial assets**

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest company of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 **Employee benefits**

Retirement benefits

The Target Company has joined a number of defined contribution pension schemes, including pension schemes, medical insurance, unemployment insurance and housing fund, organised by the relevant principal and municipal social insurance management bodies of the PRC government for those employees who are eligible to participate in the schemes. The Target Company and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salary during the period. The contributions are recognised as employee benefit expenses when they are due.

2.13 **Borrowing costs**

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.14 **Accounting for income taxes**

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Target Company has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.15 **Related parties**

For the purposes of these Financial Information, a party is considered to be related to the Target Company if:

(a) the party is a person, or a close member of that person's family, is related to the Target Company if that person:

 (i) has control or joint control over the Target Company;

 (ii) has significant influence over the Target Company; or

 (iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) the party is an entity is related to the Target Company if any of the following conditions applies:

(i) the entity and the Target Company are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entities and the Target Company are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions 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.

Estimated net realisable value of properties under development for sale

Properties under development for sale are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Management reviews the net realisable value of properties under development for sale at the end of each reporting period. The net realisable value is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management determines the net realisable value of inventories of properties by using prevailing market data such as most recent sale transactions and market survey reports and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions in the PRC. At 31 December 2015 and 30 September 2016, the carrying amount of properties under development for sale were RMB3,842,155,000 and RMB4,117,595,000 respectively (note 13).

4. REVENUE

The Target Company did not generate any revenue during the Relevant Periods.

5. OTHER INCOME

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Bank interest income	—	9
Sundry income	—	40
	—	49

6. FINANCE COSTS

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Interest on loan from intermediate holding company	—	167,866
Less: interest capitalised in properties under development for sale*	—	(165,959)
	—	1,907

* The borrowing costs have been capitalised at a rate of 5.94% per annum for the nine months ended 30 September 2016.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	—	47

During the nine months ended 30 September 2016, operating lease charges of RMB247,000 were capitalised as properties under development for sale.

8. INCOME TAX CREDIT, NET

	Note	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
		RMB'000	*RMB'000*
Current income tax			
PRC corporate income tax		—	5,364
Deferred income tax	12	—	(9,197)
Income tax credit, net		—	(3,833)

PRC Enterprise Income Tax has been provided in the Financial Information at the rate of 25% on the assessable profits for the Relevant Periods.

Reconciliation between accounting loss and income tax expense at applicable tax rate is as follows:

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Loss before income tax	—	(15,390)
Tax at the applicable tax rate of 25%	—	(3,848)
Tax effect of non-deductible expenses	—	15
Income tax credit	—	(3,833)

9. EMPLOYEE BENEFIT EXPENSES

	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	—	2,630
Contributions to defined contribution retirement plans	—	272
Less: employee benefit expenses capitalised in properties under development for sales	—	(2,633)
Employee benefit expenses recognised as an expense	—	269

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of the Target Company during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by the Target Company to the directors or any of the highest paid individuals set out in note 10(b) below as an inducement to join or upon joining the Target Company or as a compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) **Five highest paid individuals**

The five highest paid individuals in the Target Company during the Relevant Periods did not include any directors. The emoluments of these five highest paid individuals for each of the Relevant Periods are set out below:

	Period from 30 October 2015 (date of establishment) to 31 December 2015	**Nine months ended 30 September 2016**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	—	445
Contributions to defined contribution retirement plans	—	93
	—	538

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	**Furniture and fixtures**	**Motor Vehicles**	**Leasehold improvement**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 October 2015 and 1 January 2016	—	—	—	—	—
Additions	198	106	432	185	921
Depreciation	(11)	(3)	(8)	(25)	(47)
Closing net book amount	187	103	424	160	874
At 30 September 2016					
Costs	198	106	432	185	921
Accumulated depreciation	(11)	(3)	(8)	(25)	(47)
Closing net book amount	187	103	424	160	874

12. DEFERRED TAXATION

The movement of deferred tax assets are as follows:

	Others
	RMB'000
At 31 December 2015 and 1 January 2016	—
Credited to profit or loss	9,197
At 30 September 2016	9,197

13. PROPERTIES UNDER DEVELOPMENT FOR SALE

	As at 31 December 2015	**As at 30 September 2016**
	RMB'000	*RMB'000*
Properties under development for sale include:		
- cost of leasehold land	3,837,427	3,839,179
- construction costs and capitalised expenditure	4,728	112,457
- interests capitalised	—	165,959
	3,842,155	4,117,595

The properties under development for sale are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years. As at 31 December 2015 and 30 September 2016, properties under development for sale were expected to be completed and available for sale to the customers more than twelve months from the end of the reporting periods.

14. OTHER RECEIVABLES

	As at 31 December 2015	**As at 30 September 2016**
	RMB'000	*RMB'000*
Other receivables		
Prepayment	—	256
Other receivables	1,050	3,630
	1,050	3,886

The directors of the Group considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception

15. CASH AND CASH EQUIVALENTS

	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
Cash at bank and in hand	795	121,816
Bank balances and cash per the statement of financial position		
Less: Restricted bank deposits	—	(112,048)
Cash and cash equivalents per the statement of cash flows	795	9,768

Restricted bank deposits included (i) bank deposits placed in designated bank accounts which can only be used for property maintenance and (ii) guaranteed deposits placed with banks in relation to mortgage facilities granted to the purchasers of the Group's properties.

16. TRADE AND OTHER PAYABLES

	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
Trade payables		
To third parties	—	8,814
Other payables		
Accruals and other payables	112,367	38,826
Interest payable on loan from intermediate holding company	—	167,866
	112,367	206,692
	112,367	215,506

All amounts are short term and hence the carrying values of the other payables are considered to be a reasonable approximation of fair value.

The credit terms of trade payables vary according to the terms agreed with different suppliers. Included in trade payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
0-30 days	—	8,019
31-60 days	—	15
61-90 days	—	754
Over 90 days	—	26
	—	8,814

17. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/LOAN FROM INTERMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free and repayable on demand.

The loan from intermediate holding company is unsecured, carrying an interest rate of nil and ranging from 5.8% to 6.3% per annum as at 31 December 2015 and 30 September 2016 respectively. The amount would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

18. PAID-UP CAPITAL

During the period from 30 October 2015 (date of establishment) to 31 December 2015, the Target Company received RMB100,000,000 from its immediate holding company and another shareholder as its paid-up capital.

As at 31 December 2015 and 30 September 2016, the registered and paid-up capital of the Target Company was RMB100,000,000.

19. COMMITMENTS

(a) Capital commitments

As at 31 December 2015 and 30 September 2016, the Target Company had the following capital commitments:

	As at 31 December 2015	As at 30 September 2016
	RMB'000	*RMB'000*
Contracted but not provided for		
- Properties under development for sale	8,447	324,508

(b) Operating lease commitments

The Target Company leases its office under non-cancellable operating lease agreements, ranging from 1 to 2 years. As at 31 December 2015 and 30 September 2016, the total future minimum lease payments under non-cancellable operating leases in respect of office were as follows:

	As at 31 December 2015	As at 30 September 2016
	RMB'000	*RMB'000*
Within one year	—	331
In the second to fifth years	—	77
	—	408

20. RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these Financial Information, the Target Company entered into the following related party transactions during the Relevant Periods:

Name of related party	Nature	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
		RMB'000	*RMB'000*
Intermediate holding company			
C&D Real Estate	Interest expenses	—	167,866

During the nine months ended 30 September 2016, the Target Company incurred loan interest of RMB167,866,000 to C&D Real Estate, the intermediate holding company, pursuant to framework loan agreement with C&D Real Estate whereby C&D Real Estate agreed to grant RMB loan facilities to the Target Company for their project development and working capital at 3-year floating leading rate of People's Bank of China per annum.

Key management personnel remuneration

The directors of the Target Company are considered to be the key management personnel of the Target Company and no remuneration was paid or payable to the directors during the Relevant Periods.

21. FINANCIAL RISK MANAGEMENT

The Target Company is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risk includes interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Target Company's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Target Company's short to medium term cash flows by minimising its exposure to financial markets.

21.1 **Categories of financial assets and financial liabilities**

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December 2015	**As at 30 September 2016**
	RMB'000	*RMB'000*
Financial assets		
Loan and receivables		
- Other receivables	1,050	3,630
- Cash and cash equivalents	795	121,816
	1,845	125,446
Financial liabilities		
At amortised cost:		
- Trade and other payables	112,367	215,506
- Amount due to immediate holding company	—	39
- Loan from intermediate holding company	3,631,633	3,569,246
	3,744,000	3,784,791

21.2 **Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank balances, the Target Company has no significant interest-bearing assets.

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's loan from intermediate holding company with floating interest rates. The interest rates and terms of repayment of the loan from intermediate holding company are disclosed in notes 17 and 20 to the Financial Information.

At 30 September 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Target Company's loss after income tax and accumulated losses by approximately RMB17,846,000. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The Target Company's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

21.3 **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Company. The Target Company is exposed to credit risk arising from the provision of financial guarantees and the amounts of which are disclosed in note 23.

As at 31 December 2015 and 30 September 2016, the Target Company's exposure to credit risk mainly arises from bank balances. The directors considered the credit risk on bank balances is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

21.4 **Liquidity risk**

Liquidity risk relates to the risk that the Target Company will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Company is exposed to liquidity risk in respect of settlement of trade and other payables, amount due to immediate holding company and loan from intermediate holding company, and also in respect of its cash flow management. The Target Company's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from intermediate holding companies and financial institutions to meet its liquidity requirements in the short term and longer term.

Analysed below is the Target Company's remaining contractual maturities for its financial liabilities at the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Target Company can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Target Company is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year *RMB'000*	Between one and two years *RMB'000*	Between two and five years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2015					
Other payables	112,367	—	—	112,367	112,367
Loan from intermediate holding company	—	—	3,631,633	3,631,633	3,631,633
	112,367	—	3,631,633	3,744,000	3,744,000

	On demand or within one year *RMB'000*	Between one and two years *RMB'000*	Between two and five years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
As at 30 September 2016					
Trade and other payables	215,506	—	—	215,506	215,506
Amount due to immediate holding company	39	—	—	39	39
Loan from intermediate holding company	—	207,016	3,983,279	4,190,295	3,569,246
	215,545	207,016	3,983,279	4,405,840	3,784,791

21.5 **Fair value**

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs in the statements of financial position approximate their respective fair value at the end of each reporting period.

22. CAPITAL MANAGEMENT

The Target Company's capital management is primarily to safeguard the Target Company's ability to continue as a going concern while maximising the return to the shareholders.

The capital structure of the Target Company consists of the loan from intermediate holding company and equity of the Target Company. The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risk associated with the issued share capital, and take appropriate actions to balance its overall capital structure.

23. FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Target Company is analysed as below:

	As at 31 December 2015	As at 30 September 2016
	RMB'000	*RMB'000*
Guarantees given to banks and financial institutions for mortgage facilities granted to purchasers of the Target Company's properties	—	160,142

The amount represented the guarantees in respect of mortgage facilities granted by certain banks and financial institutions relating to the mortgage loans arranged for certain purchasers of the Target Company's property units. Such guarantees are provided to secure obligations of those purchasers for repayments, the guarantees period would be started from the date of grant of the mortgage and terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Target Company is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and financial institutions and the Target Company is entitled to take over the legal title and possession of the related properties. In case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the Financial Information. The directors of the Target Company considered that the fair value of financial guarantee is insignificant due to low applicable default rate.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2016 up to the date of this report.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 February 2017

Lin Ching Yee Daniel
Practising Certificate No.: P02771

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

Grant Thornton
致同

25 February 2017

The Directors
C&D International Investment Group Limited

Dear Sirs,

We set out below our report on the financial information of Fujian Zhaohe Real Estate Company Limited (the "Joint Venture" or "Fujian Zhaohe"), which comprises the statements of financial position of the Joint Venture as at 31 December 2015 and 30 September 2016, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity of the Joint Venture for the period from 1 December 2015 (date of establishment) to 31 December 2015 and for the nine months ended 30 September 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the circular of C&D International Investment Group Limited (the "Company") dated 25 February 2017 (the "Circular") in connection with the proposed acquisition of 60% equity interest in the Joint Venture by the Company.

The Joint Venture was established in the People's Republic of China (the "PRC") with limited liability on 1 December 2015. The Joint Venture is located in Zhangzhou City, Fujian Province, the PRC, and is principally engaged in properties development in the PRC.

The Joint Venture has adopted 31 December as its financial year end date. The statutory financial statements of the Joint Venture for the period from 1 December 2015 (date of establishment) to 31 December 2015 were audited by Grant Thornton LLP (致同會計師事務所(特殊普通合夥)) and were prepared in accordance with the Accounting Standards of Business Enterprises issued by the Ministry of finance of the PRC.

For the purpose of this report, the directors of the Joint Venture have prepared the financial statements of the Joint Venture (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Joint Venture in respect of any period subsequent to 30 September 2016.

Opinion

In our opinion, the Financial Information give, for the purpose of this report, a true and fair view of the financial position of the Joint Venture as at 31 December 2015 and 30 September 2016 and of its financial performance and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE JOINT VENTURE

The following is the financial information of the Joint Venture prepared by the directors of the Joint Venture for the period from 1 December 2015 (date of establishment) to 31 December 2015 and for the nine months ended 30 September 2016 (the "Financial Information"):

(A) STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**Period from 1 December 2015 (date of establishment) to 31 December 2015**	**Nine months ended 30 September 2016**
		RMB'000	*RMB'000*
Revenue	4	—	—
Other income	5	—	18
Administrative expenses		(44)	(831)
Finance costs	6	—	(853)
Loss before income tax	7	(44)	(1,666)
Income tax credit	8	11	203
Loss and total comprehensive loss for the period		(33)	(1,463)

(B) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2015	As at 30 September 2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	11	—	123
Deferred tax assets	12	11	214
		11	337
Current assets			
Properties under development for sale	13	1,499	752,982
Other receivables	14	655,400	2,494
Cash and cash equivalents		214	314
		657,113	755,790
Current liabilities			
Trade and other payables	15	433	29,292
Amount due to intermediate holding company	16	—	1,118
Amount due to non-controlling shareholder	16	—	3,769
		433	34,179
Net current assets		656,680	721,611
Total assets less current liabilities		656,691	721,948
Non-current liabilities			
Loan from intermediate holding company	16	394,564	441,284
Loan from non-contolling Shareholder	16	212,160	232,160
		606,724	673,444
Net assets		49,967	48,504
EQUITY			
Paid-up capital	17	50,000	50,000
Accumulated losses		(33)	(1,496)
Total equity		49,967	48,504

(C) STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*
At 1 December 2015 (date of establishment)	—	—	—
Capital contribution from shareholders (note 16)	50,000	—	50,000
Loss and total comprehensive loss for the period	—	(33)	(33)
At 31 December 2015 and 1 January 2016	50,000	(33)	49,967
Loss and total comprehensive loss for the period	—	(1,463)	(1,463)
At 30 September 2016	50,000	(1,496)	48,504

(D) STATEMENTS OF CASH FLOWS

	Period from 1 December 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Cash flows from operating activities		
Loss before income tax	(44)	(1,666)
Adjustment for:		
Depreciation of property, plant and equipment	—	1
Interest income	—	(18)
Finance cost	—	853
Operating loss before working capital changes	(44)	(830)
Increase in properties under development for sale	(1,499)	(723,952)
(Increase)/decrease in other receivables	(655,400)	652,906
Increase in trade and other payables	433	475
Net cash used in operating activities	(656,510)	(71,401)
Cash flows from investing activities		
Interest received	—	18
Purchase of property, plant and equipment	—	(124)
Net cash used in investing activities	—	(106)
Cash flows from financing activities		
Capital contribution from shareholders	50,000	—
Increase in amount due to non-controlling shareholder	—	3,769
Increase in amount due to intermediate holding company	—	1,118
Loan from non-contolling Shareholder	212,160	20,000
Loan from intermediate holding company	394,564	46,720
Net cash from financing activities	656,724	71,607
Net increase in cash and cash equivalents	214	100
Cash and cash equivalents at the beginning of the period	—	214
Cash and cash equivalents at the end of the period, represented by bank balances	214	314

(II) NOTES TO THE FINANCIAL INFORMATION OF THE JOINT VENTURE

1. GENERAL INFORMATION

Fujian Zhaohe was established in the PRC with limited liability on 1 December 2015. The address of its registered office is Room. 2108, Building 8, A2 Wanda Square, Bihu Subdistrict, Longwen District, Zhangzhou City, Fujian Province, the PRC. The Joint Venture is principally engaged in properties development in the PRC.

In the opinion of the directors of Fujian Zhaohe, the immediate holding company and ultimate holding company of Fujian Zhaohe are Fujian Zhaorun Real Estate Company Limited and Xiamen C&D Corporation Limited, companies incorporated in the PRC, respectively.

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Joint Venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 **Basis of preparation**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Joint Venture has consistently applied all HKFRSs which are applicable to its financial period beginning on 1 December 2015 (date of establishment) to 31 December 2015 and the nine months ended 30 September 2016. The significant accounting policies that have been used in the preparation of the Financial Information have been consistently applied throughout the Relevant Periods. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on the Joint Venture's Financial Information, if any, are disclosed in note 2.2.

The Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting polices below.

As at 30 September 2016, the Joint Venture had not yet generated any revenue and was dependent on financial support from its intermediate holding company C&D Real Estate Corporation Limited ("C&D Real Estate"), for further property development and working capital. The Financial Information have been prepared on a going concern basis as the intermediate holding company of the Joint Venture, has undertaken to provide the necessary financial support to the Joint Venture when its debts fall due. The directors believe that the Joint Venture will be able to meet its financial obligations for the foreseeable future. Consequently, the Financial Information has been prepared on a going concern basis.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. 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 3 below.

2.2 **Issued but not yet effective HKFRSs**

The Joint Venture has not early adopted the following new or amended HKFRSs which have been issued and are relevant to the Financial Information but are not yet effective for the Relevant Periods:

		Effective for accounting periods beginning on or after
HKFRS 9 (2014)	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Joint Venture anticipate that all of the pronouncements will be adopted in the Joint Venture's accounting policies for the first period beginning after the effective dates of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Joint Venture's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Financial Information.

HKFRS 9 (2014) "Financial Instruments"

The release of HKFRS 9 "Financial Instruments" (2014) represents the completion of the project to replace HKAS 39. The new standard introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. HKFRS 9 also provides new guidance on the application of hedge accounting.

The Joint Venture has started to assess the impact of HKFRS 9 but are not yet in a position to provide quantified information. At this stage, the main areas of expected impact are as follows:

- the classification and measurement of the Joint Venture's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the Joint Venture's receivables to reflect changes in credit risk since initial recognition.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Joint Venture is yet to assess HKFRS 15's full impact.

HKFRS 16 "Leases"

HKFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Joint Venture is yet to assess HKFRS 16's full impact.

2.3 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the rates per annum as follows:

Office equipment	20%
Furniture and fixtures	20%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2.4 **Financial assets**

The Joint Venture's accounting policies for financial assets are set out below. Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Joint Venture becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date (the date on which the Joint Venture commits to purchase or sell the asset). When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are subsequently measured at amortised cost using the effective interest method less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Joint Venture about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becomes probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

— The disappearance of an active market for that financial assets because of financial difficulties; and

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

Impairment losses on financial assets are written off against the corresponding assets directly. Subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.5 **Properties under development for sale**

Properties under development for sale are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Properties under development for sale are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Costs include properties consist of land held under operating lease, development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

Properties under development for sale are transferred to properties held for sale upon completion.

2.6 **Cash and cash equivalents**

Cash and cash equivalents represent bank balances.

2.7 **Financial liabilities**

The Joint Venture's financial liabilities included trade and other payables, amount due to non-controlling shareholder/intermediate holding company and loans from non-controlling shareholder/intermediate holding company.

Financial liabilities are recognised when the Joint Venture becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Joint Venture's accounting policy for borrowing costs (see note 2.12).

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

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

Trade and other payables, amount due to non-controlling shareholder/intermediate holding company and loans from non-controlling shareholder/intermediate holding company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.8 **Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Joint Venture determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Joint Venture has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

2.9 **Interest income**

Interest income is recognised on a time-proportion basis using effective interest method.

2.10 **Impairment of non-financial assets**

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest company of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 **Employee benefits**

Retirement benefits

The Joint Venture has joined a number of defined contribution pension schemes, including pension schemes, medical insurance, unemployment insurance and housing fund, organised by the relevant principal and municipal social insurance management bodies of the PRC government for those employees who are eligible to participate in the schemes. The Joint Venture and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salary during the period. The contributions are recognised as employee benefit expenses when they are due.

2.12 **Borrowing costs**

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.13 **Accounting for income taxes**

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Joint Venture is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Joint Venture has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Joint Venture presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.14 **Related parties**

For the purposes of these Financial Information, a party is considered to be related to the Joint Venture if:

(a) the party is a person, or a close member of that person's family, is related to the Joint Venture if that person:

  (i) has control or joint control over the Joint Venture;

  (ii) has significant influence over the Joint Venture; or

  (iii) is a member of the key management personnel of the Joint Venture or the Joint Venture's parent.

(b) the party is an entity is related to the Joint Venture if any of the following conditions applies:

(i) the entity and the Joint Venture are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entities and the Joint Venture are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Joint Venture or an entity related to the Joint Venture.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions 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.

Estimated net realisable value of properties under development for sale

Properties under development for sale are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Management reviews the net realisable value of properties under development for sale at the end of each reporting period. The net realisable value is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management determines the net realisable value of inventories of properties by using prevailing market data such as most recent sale transactions and market survey reports and internally available information, as bases for evaluation.

These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs of completion of properties, the legal and regulatory framework and general market conditions in the PRC. At 31 December 2015 and 30 September 2016, the carrying amount of properties under development for sale were RMB1,499,000 and RMB752,982,000 respectively (note 13).

4. REVENUE

The Joint Venture did not generate any revenue during the Relevant Periods.

5. OTHER INCOME

	Period from 1 December 2015 (date of establishment) to 31 December 2015	**Nine months ended 30 September 2016**
	RMB'000	*RMB'000*
Bank interest income	—	18

6. FINANCE COSTS

	Period from 1 December 2015 (date of establishment) to 31 December 2015	**Nine months ended 30 September 2016**
	RMB'000	*RMB'000*
Interest on loan from intermediate holding company	—	18,004
Interest on loan from non-controlling shareholder	—	10,380
Less: interest capitalised in properties under development for sale*	—	(27,531)
	—	853

* The borrowing costs have been capitalised at a rate of 5.94% per annum for the nine months ended 30 September 2016.

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Period from 1 December 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	—	1

During the nine months ended 30 September 2016, operating lease charges of RMB157,000 were capitalised as properties under development for sale.

8. INCOME TAX CREDIT

	Note	Period from 1 December 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
		RMB'000	*RMB'000*
Deferred income tax	12	(11)	(203)
Income tax credit		(11)	(203)

PRC Enterprise Income Tax has not been provided in the Financial Information as the Joint Venture has no assessable profits for the Relevant Periods.

Reconciliation between accounting loss and income tax expense at applicable tax rate is as follows:

	Period from 1 December 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Loss before income tax	(44)	(1,666)
Tax at the applicable tax rate of 25%	(11)	(417)
Tax effect of unrecognised tax losses	—	214
Income tax credit	(11)	(203)

9. EMPLOYEE BENEFIT EXPENSES

	Period from 1 December 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	—	3,427
Contributions to defined contribution retirement plans	—	372
Less: employee benefit expenses capitalised in properties under development for sales	—	(3,799)
Employee benefit expenses recognised as an expense	—	—

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emolument was paid or payable to the directors of the Joint Venture during the Relevant Periods.

During the Relevant Periods, there were no amounts paid or payable by the Joint Venture to the directors or any of the highest paid individuals set out in note 10(b) below as an inducement to join or upon joining the Joint Venture or as a compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The five highest paid individuals in the Joint Venture during the Relevant Periods did not include any directors. The emoluments of these five highest paid individuals for each of the Relevant Periods are set out below:

	Period from 1 December 2015 (date of establishment) to 31 December 2015	**Nine months ended 30 September 2016**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	—	1,384
Contributions to defined contribution retirement plans	—	128
	—	1,512

Their emoluments were within the band of Nil to HK$1,000,000.

11. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 December 2015 (date of establishment), 31 December 2015 and 1 January 2016			
Costs	—	—	—
Accumulated depreciation	—	—	—
Closing net book amount	—	—	—
Nine months ended 30 September 2016			
Opening net book amount	—	—	—
Additions	92	32	124
Depreciation	(1)	—	(1)
Closing net book amount	91	32	123
At 30 September 2016			
Costs	92	32	124
Accumulated depreciation	(1)	—	(1)
Closing net book amount	91	32	123

12. DEFERRED TAXATION

The movement of deferred tax assets are as follows:

	Others
	RMB'000
At 1 December 2015 (Date of incorporation)	—
Credited to profit or loss	11
At 31 December 2015 and 1 January 2016	11
Credited to profit or loss	203
At 30 September 2016	214

13. PROPERTIES UNDER DEVELOPMENT FOR SALE

	As at 31 December 2015	As at 30 September 2016
	RMB'000	*RMB'000*
Properties under development for sale include:		
- cost of leasehold land	524	693,627
- construction costs and capitalised expenditure	975	31,824
- interests capitalised	—	27,531
	1,499	752,982

The properties under development for sale are all located in the PRC. The relevant land use rights are on leases of 40 to 70 years. As at 31 December 2015 and 30 September 2016, properties under development for sale were expected to be completed and available for sale to the customers more than twelve months from the end of the reporting periods.

14. OTHER RECEIVABLES

	As at 31 December 2015	As at 30 September 2016
	RMB'000	*RMB'000*
Other receivables		
Deposits for land acquisition	655,400	—
Deposits and prepayment	—	240
Other receivables	—	2,254
	655,400	2,494

The directors of the Group considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

15. TRADE AND OTHER PAYABLES

	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
Trade payables		
To third parties	—	157
Other payables		
Accruals and other payables	353	595
Deposit received	80	156
Interest payable on loan from intermediate holding company	—	18,004
Interest payable on loan from non-controlling shareholder	—	10,380
	433	29,135
	433	29,292

All amounts are short term and hence the carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

16. AMOUNT DUE TO NON-CONTROLLING SHAREHOLDER / INTERMEDIATE HOLDING COMPANY / LOANS FROM NON-CONTROLLING SHAREHOLDER / INTERMEDIATE HOLDING COMPANY

The amounts due to non-controlling shareholder / intermediate holding company are unsecured, interest-free and repayable on demand.

The loans from non-controlling shareholder / intermediate holding company are unsecured, carrying an interest rate of nil and ranging from 5.8% to 6.3% per annum as at 31 December 2015 and 30 September 2016 respectively. The amounts would not be repayable within one year.

The carrying amounts of the balances approximate their fair values.

17. PAID-UP CAPITAL

During the period from 1 December 2015 (date of establishment) to 31 December 2015, the Joint Venture received RMB50,000,000 from its immediate holding company and another shareholder as its paid-up capital.

As at 31 December 2015 and 30 September 2016, the registered and paid-up capital of the Joint Venture was RMB50,000,000.

18. COMMITMENTS

(a) Capital commitments

As at 31 December 2015 and 30 September 2016, the Joint Venture had the following capital commitments:

	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
Contracted but not provided for		
- Properties under development for sale	47	311,743

(b) Operating lease commitments

The Joint Venture leases its office under non-cancellable operating lease agreements, ranging from 1 to 2 years. As at 31 December 2015 and 30 September 2016, the total future minimum lease payments under non-cancellable operating leases in respect of office were as follows:

	As at 31 December 2015 *RMB'000*	As at 30 September 2016 *RMB'000*
Within one year	—	615
In the second to fifth years	—	618
	—	1,233

19. RELATED PARTY TRANSACTION

Save as disclosed elsewhere in these Financial Information, the Joint Venture entered into the following related party transactions during the Relevant Periods:

Name of related party	Nature	Period from 30 October 2015 (date of establishment) to 31 December 2015	Nine months ended 30 September 2016
		RMB'000	*RMB'000*
Intermediate holding company			
C&D Real Estate	Interest expenses	—	18,004
Non-controlling shareholder			
Xiamen Yi Yue Property Company Limited	Interest expenses	—	10,380
		—	28,384

During the nine months ended 30 September 2016, the Joint Venture incurred loan interest of RMB28,384,000 to the non-controlling shareholder/intermediate holding company, pursuant to framework loan agreement with the non-controlling shareholder/intermediate holding company whereby the non-controlling shareholder/intermediate holding company agreed to grant RMB loan facilities in an aggregate principal amount of not exceeding RMB5,000,000,000 to the Joint Venture for their project development and working capital at 3-year floating leading rate of People's Bank of China per annum.

Key management personnel remuneration

The directors of the Joint Venture are considered to be the key management personnel of the Joint Venture and no remuneration was paid or payable to the directors during the Relevant Periods.

20. NON-CASH TRANSACTION

During the nine months ended 30 September 2016, borrowing costs of RMB27,531,000 were capitalised as properties under development for sale.

21. FINANCIAL RISK MANAGEMENT

The Joint Venture is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risk includes interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Joint Venture's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Joint Venture's short to medium term cash flows by minimising its exposure to financial markets.

21.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December 2015	**As at 30 September 2016**
	RMB'000	*RMB'000*
Financial assets		
Loan and receivables		
- Other receivables	—	2,254
- Bank balances	214	314
	214	2,568
Financial liabilities		
At amortised cost:		
- Trade and other payables	353	29,136
- Amount due to non-controlling shareholder	—	3,769
- Amount due to intermediate holding company	—	1,118
- Loan from intermediate holding company	394,564	441,284
- Loan from non-controlling shareholder	212,160	232,160
	607,077	707,467

21.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank balances, the Joint Venture has no significant interest-bearing assets.

The Joint Venture's exposure to the risk of changes in market interest rates relates primarily to the Joint Venture's loans from non-controlling shareholder/intermediate holding company with floating interest rates. The interest rates and terms of repayment of the loans from non-controlling shareholder/intermediate holding company are disclosed in notes 16 and 19 to the Financial Information.

At 30 September 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Joint Venture's loss after income tax and accumulated losses by approximately RMB3,367,000. The 50 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The Joint Venture's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

21.3 **Credit risk**

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Joint Venture.

As at 31 December 2015 and 30 September 2016, the Joint Venture's exposure to credit risk mainly arises from bank balances. The directors considered the credit risk on bank balances is limited because the counterparty is a bank with high credit-ratings assigned by international credit-rating agencies.

21.4 **Liquidity risk**

Liquidity risk relates to the risk that the Joint Venture will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Joint Venture is exposed to liquidity risk in respect of settlement of other payables, amounts due to non-controlling shareholder/immediate holding company and loans from non-controlling shareholder/intermediate holding company, and also in respect of its cash flow management. The Joint Venture's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents and adequate committed lines of funding from intermediate holding companies and financial institutions to meet its liquidity requirements in the short term and longer term.

Analysed below is the Joint Venture's remaining contractual maturities for its financial liabilities at the reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Joint Venture can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Joint Venture is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within one year	Between one and two years	Between two and five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015					
Other payables	353	—	—	353	353
Loan from intermediate holding company	—	—	394,564	394,564	394,564
Loan from non-controlling shareholder	—	—	212,160	212,160	212,160
	353	—	606,724	607,077	607,077
As at 30 September 2016					
Trade and other payables	29,136	—	—	29,136	29,136
Amount due to intermediate holding company	1,118	—	—	1,118	1,118
Amount due to non-controlling shareholder	3,769	—	—	3,769	3,769
Loan from intermediate holding companies	—	25,595	492,473	518,068	441,284
Loan from non-controlling shareholder	—	13,465	259,091	272,556	232,160
	34,023	39,060	751,564	824,647	707,467

21.5 Fair value

The directors of the Joint Venture consider that the carrying amounts of financial assets and financial liabilities at amortised costs in the statements of financial position approximate their respective fair value at the end of each reporting period.

22. CAPITAL MANAGEMENT

The Joint Venture's capital management is primarily to safeguard the Joint Venture's ability to continue as a going concern while maximising the return to the shareholders.

The capital structure of the Joint Venture consists of the loans from non-controlling shareholder/ intermediate holding company and equity of the Joint Venture. The directors of the Joint Venture review the capital structure on a regular basis. As part of this review, the directors of the Joint Venture consider the cost of capital and the risk associated with the issued share capital, and take appropriate actions to balance its overall capital structure.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Joint Venture in respect of any period subsequent to 30 September 2016 up to the date of this report.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 February 2017

Lin Ching Yee Daniel
Practising Certificate No.: P02771

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction to the unaudited pro forma financial information

The following is the unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), being C&D International Investment Group Limited and its subsidaries (collectively referred to as the "Group") together with its interest in Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司, the "Target Company") and Fujian Zhaohe Real Estate Company Limited (福建兆和房地產有限公司, the "Joint Venture"), which has been prepared by the directors of the Company to illustrate the financial effect of the acquisition of 37% equity interest in the Target Company by way of capital injection and 60% equity interest in the Joint Venture by way of equity transfer by the Group (the "Acquisitions").

The unaudited pro forma financial information has been prepared by the directors of the Company 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 Guidance 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG7") issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the Acquisitions pursuant to the terms of the Share Transfer Agreements and Second Capital Increase Agreement as set out in the Circular.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 which has been extracted from the published interim report of the Company for the six months ended 30 June 2016; (ii) the audited statement of financial position of the Joint Venture as at 30 September 2016 as extracted from the accountants' report as set out in Appendix II to this circular; and (iii) the audited statement of financial position of the Target Company as at 30 September 2016 as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable, as if the Acquisitions had been completed on 30 June 2016.

The preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Enlarged Group is based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015 which have been extracted from the published annual report of the Company for the year ended 31 December 2015; (ii) the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Joint Venture for the period from 1 December 2015 (date of establishment) to 31 December 2015 as extracted from the accountants' report as set out in Appendix II to this circular; and (iii) the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the period from 30 October 2015 (date of establishment) to 31 December 2015 as extracted from accountants' report on the Target Company as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable, as if the Acquisitions had been completed on 1 January 2015.

The unaudited pro forma finacial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position or results of the Enlarged Group had the Acquisitions been completed as at the specified dates or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2016 and other financial information included elsewhere in this circular.

(ii) Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2016

	The Group as at 30 June 2016	**The Target Company as at 30 September 2016**	**The Joint Venture as at 30 September 2016**	**Subtotal**	**Pro forma adjustments**							**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 1	*Note 1*	*Note 2*	*Note 3*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets												
Property, plant and equipment	61,188	874	123	62,185								62,185
Interests in leasehold land	308	—	—	308								308
Investment properties	680,300	—	—	680,300								680,300
Interests in associates	25,000	—	—	25,000					(20,000)			5,000
Investment in subsidiaries	—	—	—	—		152,980	(152,980)		63,340	(63,340)		—
Loan to subsidiaries	—	—	—	—		1,815,830	(1,815,830)		404,070	(404,070)		—
Deferred tax assets	3,038	9,197	214	12,449								12,449
	769,834	**10,071**	**337**	**780,242**								**760,242**
Current assets												
Inventories of properties	736,324	4,117,595	752,982	5,606,901								5,606,901
Trade and other receivables	77,164	3,886	2,494	83,544								83,544
Cash and cash equivalents	87,354	121,816	314	209,484	1,968,810	(1,816,830)		447,410	(447,410)		(1,408)	360,056
	900,842	**4,243,297**	**755,790**	**5,899,929**								**6,050,501**
Current liabilities												
Trade and other payables	79,712	215,506	29,292	324,510								324,510
Advance received from presale of properties under development	—	374,770	—	374,770								374,770
Amounts due to non-controlling shareholders	200,872	—	3,769	204,641								204,641
Amount due to immediate holding company	—	39	—	39								39
Amount due to intermediate holding company	—	—	1,118	1,118								1,118
Interest-bearing borrowings	3,495	—	—	3,495								3,495
Income tax liabilities	14,202	5,364	—	19,566								19,566
	298,281	**595,679**	**34,179**	**928,139**								**928,139**
Net current assets	**602,561**	**3,647,618**	**721,611**	**4,971,790**								**5,122,362**
Total assets less current liabilities	**1,372,395**	**3,657,689**	**721,948**	**5,752,032**								**5,882,604**

	The Group as at 30 June 2016	The Target Company as at 30 September 2016	The Joint Venture as at 30 September 2016	Subtotal	Pro forma adjustments							The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 1	*Note 1*	*Note 2*	*Note 3*	*Note 3*	*Note 4*	*Note 5*	
Non-current liabilities												
Loan from intermediate holding company	314,665	3,569,246	441,284	4,325,195	1,968,810		(1,815,830)	447,410		(404,070)		4,521,515
Loan from non-controlling Shareholder	—	—	232,160	232,160								232,160
Deferred tax liabilities	171,671	—	—	171,671								171,671
	486,336	**3,569,246**	**673,444**	**4,729,026**								**4,925,346**
Net assets	**886,059**	**88,443**	**48,504**	**1,023,006**								**957,258**
EQUITY												
Issued capital	29,135	100,000	50,000	179,135		100,000	(200,000)			(50,000)		29,135
Reserves	740,244	(11,557)	(1,496)	727,191		51,980	(73,192)			(13,340)	(1,408)	691,231
Equity attributable to the equity holders of the Company	**769,379**	**88,443**	**48,504**	**906,326**								**720,366**
Non-controlling interests	116,680	—	—	116,680			120,212					236,892
Total equity	**886,059**	**88,443**	**48,504**	**1,023,006**								**957,258**

(iii) Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2015

	The Group for the year ended 31 December 2015	The Target Company for the period ended 31 December 2015	The Joint Venture for the period ended 31 December 2015	Subtotal	Pro forma adjustment	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 5	
Revenue	133,767	—	—	133,767		133,767
Cost of sales	(70,271)	—	—	(70,271)		(70,271)
Gross profit	63,496	—	—	63,496		63,496
Other income	3,162	—	—	3,162		3,162
Gain on changes in fair value of investment properties	2,600	—	—	2,600		2,600
Administrative expenses	(26,551)	—	(44)	(26,595)	(1,408)	(28,003)
Selling expenses	(4,752)	—	—	(4,752)		(4,752)
Finance costs	(2,485)	—	—	(2,485)		(2,485)
Profit before income tax	35,470	—	(44)	35,426		34,018
Income tax expense	(20,057)	—	11	(20,046)		(20,046)
Profit for the year	15,413	—	(33)	15,380		13,972

	The Group for the year ended 31 December 2015	The Target Company for the period ended 31 December 2015	The Joint Venture for the period ended 31 December 2015	Subtotal	Pro forma adjustment	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 5	
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences	4,895	—	—	4,895		4,895
Total comprehensive income for the year	20,308	—	(33)	20,275		18,867
Profit for the year attributable to:						
Equity holders of the Company	12,668	—	(33)	12,635	(1,408)	11,227
Non-controlling interests	2,745	—	—	2,745		2,745
	15,413	—	(33)	15,380		13,972
Total comprehensive income for the year attributable to:						
Equity holders of the Company	17,563	—	(33)	17,530	(1,408)	16,122
Non-controlling interests	2,745	—	—	2,745		2,745
	20,308	—	(33)	20,275		18,867

(iv) Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2015

	The Group for the year ended 31 December 2015	The Target Company for the period ended 31 December 2015	The Joint Venture for the period ended 31 December 2015	Subtotal	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 1	*Note 3*	*Note 5*	
Cash flows from operating activities								
Profit before income tax	35,470	—	(44)	35,426			(1,408)	34,018
Adjustments for:								
Amortisation of interests in leasehold land	11	—	—	11				11
Depreciation of property, plant and equipment	1,204	—	—	1,204				1,204
Gain on changes in fair value of investment properties	(2,600)	—	—	(2,600)				(2,600)

	The Group for the year ended 31 December 2015	The Target Company for the period ended 31 December 2015	The Joint Venture for the period ended 31 December 2015	Subtotal	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 1	*Note 3*	*Note 5*	
Loss on disposal of property, plant and equipment	76	—	—	76				76
Provision for impairment of trade receivables	(59)	—	—	(59)				(59)
Interest expense	2,485	—	—	2,485				2,485
Interest income	(2,938)	—	—	(2,938)				(2,938)
Operating profit before working capital changes	33,649	—	(44)	33,605				32,197
Increase in inventories of properties	(377,391)	(3,842,155)	(1,499)	(4,221,045)				(4,221,045)
Increase in trade and other receivables	(144)	(1,050)	(655,400)	(656,594)				(656,594)
(Decrease)/Increase in trade and other payables	(9,205)	112,367	433	103,595				103,595
Decrease in advances received from the pre-sale of properties under development and properties held for sale	(15,621)	—	—	(15,621)				(15,621)
Cash used in from operations	(368,712)	(3,730,838)	(655,510)	(4,756,060)				(4,757,468)
Income tax paid	(13,691)	—	—	(13,691)				(13,691)
Net cash used in operating activities	(382,403)	(3,730,838)	(655,510)	(4,769,751)				(4,771,159)
Cash flows from investing activities								
Purchase of property, plant and equipment	(286)	—	—	(286)				(286)
Placement of structured bank deposits	(285,000)	—	—	(285,000)				(285,000)
Proceeds from disposal of property, plant and equipment	93	—	—	93				93
Payment of consideration for acquisition of a subsidiary	—	—	—	—		(43,340)		(43,340)
Investment in an associate	(20,000)	—	—	(20,000)				(20,000)
Withdrawal of structured bank deposits	285,000	—	—	285,000				285,000
Increase in restricted and pledged bank deposits	(24)	—	—	(24)				(24)
Interest received	2,938	—	—	2,938				2,938
Net cash used in investing activities	(17,279)	—	—	(17,279)				(60,619)
Cash flows from financing activities								

	The Group for the year ended 31 December 2015	The Target Company for the period ended 31 December 2015	The Joint Venture for the period ended 31 December 2015	Subtotal	Pro forma adjustments			The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					Note 1	*Note 3*	*Note 5*	
Proceeds from issuance of share capital	185,815	—	—	185,815				185,815
Share issuance expenses	(1,663)	—	—	(1,663)				(1,663)
Repayments of borrowings	(67,235)	—	—	(67,235)				(67,235)
Addition in loan from intermediate holding company	112,877	3,631,633	394,504	4,139,074	151,980	43,340		4,334,394
Addition in loan from non-controlling shareholder	—	—	212,160	212,160				212,160
Capital contribution from non-controlling shareholders	30,000	—	—	30,000				30,000
Capital contribution from shareholders	—	100,000	50,000	150,000				150,000
Increase in amounts due to non-controlling shareholders	60,000	—	—	60,000				60,000
Dividends paid to non-controlling shareholders	(2,496)	—	—	(2,496)				(2,496)
Interest paid	(2,246)	—	—	(2,246)				(2,246)
Net cash from financing activities	315,052	3,731,633	656,724	4,703,409				4,898,729
Net (decrease)/increase in cash and cash equivalents	(84,630)	795	214	(83,621)				66,951
Cash and cash equivalents as at 1 January	153,442	—	—	153,442				153,442
Effect of foreign exchange rates changes on cash and cash equivalents	622	—	—	622				622
Cash and cash equivalents as at 31 December	69,434	795	214	70,443				221,015

Notes:

(1) In November 2016, the Company completed the First Capital Increase and the adjustments represent the consideration of RMB152,980,000, including (i) the First Capital Increase in the Target Company amounted to RMB23,700,000, which comprises of RMB14,940,000 as payment for the registered capital, RMB7,760,000 as payment for the share premium and RMB1,000,000 as payment for the directly attributable transaction costs as estimated by the directors for the existing investment in the Target Company and (ii) the Second Capital Increase in the Target Company amounted to RMB129,280,000, which comprises of RMB85,060,000 as payment for the registered capital and RMB44,220,000 as payment for the share premium. As a result, the amount of RMB51,980,000 was recognised in the Target Company's share premium. Upon completion of the acquisition, the assets and liabilities of the Target Company in the consolidated financial statements of the Enlarged Group will be accounted for using the merger accounting as the Company and the Target Company are both under the control of Xiamen C&D Corporation Limited ("Xiamen C&D"), ultimate holding company of the Company and the Target Company, before and after the date of acquisition, and the control is not transitory. Pursuant to the capital increase agreements, the Group has agreed to contribute Shareholder's loans in the

amount of RMB495,200,000 and RMB1,320,630,000 for the repayment of the Shareholder's loans previously made by the Target Company. The capital consideration will be settled in cash in accordance with the payment terms of the capital increase agreements. The Group will finance the corresponding cash payment through draw down of the unutilized loan facilities from intermediate holding company under the shareholder loan framework agreement dated 11 April 2016, pursuant to which the loan will be charged at benchmark RMB interest rate of the People's Bank of China per annum. Had the Acquisition been completed on 30 June 2016, the loan from intermediate holding company would have been increased by RMB152,980,000, net of inter-company loan.

(2) The adjustment represents the elimination of share capital of the Target Company, inter-company balances and the recognition of merger reserves arose as a result of the acquisition. The merger reserves of RMB73,192,000 represented the difference between the registered capital of RMB200,000,000, the consideration for the acquisition of RMB152,980,000 pursuant to the capital increase agreements and the non-controlling interests of RMB120,212,000 in the Target Company, being the non-controlling interests' proportionate share of the Target Company's net assets as at 30 September 2016 of RMB44,222,000 and the effect on the Target Company's net assets arising from the acquisition of RMB75,990,000 (RMB151,980,000 x 50%).

(3) The adjustments represent the consideration for the acquisition of the Joint Venture by way of equity transfer at RMB43,340,000, and the derecognition of the interests in associates amounted to RMB20,000,000 when the Joint Venture becomes a subsidiary of the Enlarged Group upon the completion of acquisition. Upon completion of the acquisition, the assets and liabilities of the Joint Venture will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Joint Venture are both under the control of Xiamen C&D, the ultimate holding company of the Company and the Joint Venture, before and after the date of acquisition, and the control is not transitory. Pursuant to the Share Transfer Agreements, the Group has agreed to contribute Shareholder's loans in the amount of RMB404,070,000 for the repayment of part of the Shareholder's loans previously made by the Joint Venture. The capital consideration will be settled in cash in accordance with the payment terms of the Share Transfer Agreements. The Group will finance the corresponding cash payment through draw down of the unutilized loan facilities from intermediate holding company under the shareholder loan framework agreement dated 11 April 2016, pursuant to which the loan will be charged at benchmark RMB interest rate of the People's Bank of China per annum. Had the Acquisition been completed on 30 June 2016, the loan from intermediate holding company would have been increased by RMB43,340,000, net of inter-company loan.

(4) The adjustment represents the elimination of share capital of the Joint Venture, inter-company balances and the recognition of merger reserves arose as a result of the acquisition. The merger reserves represented the difference between the registered capital of RMB50,000,000 and the consideration for the acquisition of RMB63,340,000 pursuant to the Share Transfer Agreements.

(5) The adjustment represents the estimated professional fees attributable to the Acquisitions of approximately RMB1,408,000, which will be recognised in profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

(6) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2016.

B. INDEPENDENT REPORTING ACCOUTNANTS' ASSURANCE REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Circular.

GrantThornton
致同

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF C&D INTERNATIONAL INVESTMENT GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of C&D International Investment Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2016, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015 and related notes as set out in Part A of Appendix III to the circular dated 25 February 2017 (the "Circular") issued by the Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Part A of Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the acquisition of 37% equity interest in Suzhou Zhaoxiang Real Estate Development Company Limited by way of capital injection and 60% equity interest in Fujian Zhaohe Real Estate Company Limited by way of equity transfer by the Group (the "Acquisitions") on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Acquisitions had taken place at 30 June 2016 and 1 January 2015, respectively. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the directors from the interim result of the Company for the six months ended 30 June 2016, on which no review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2015 has been extracted by the directors from the Group's audited consolidated financial statements for year ended 31 December 2015, on which an auditors report has been published.

Directors' Responsibilities 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.

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose 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 the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2016 or 1 January 2015 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 accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, 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 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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 February 2017

Lin Ching Yee Daniel
Practising Certificate No: P02771

The following is the text of a letter, and valuation certificate prepared for the purpose of incorporation in this Circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the Jiangsu Land held by the Target Company as at 31 December 2016.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

25 February 2017

The Directors
C&D International Investment Group Limited
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Dear Sirs,

Re: **A piece of land with a total site area of approximately 224,623.60 square meters, Lot No. 2015-WG-27, east of Dongfang Avenue, south of Shanghu Road, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, the People's Republic of China (the "Jiangsu Land")**

Instructions, Purpose & Valuation Date

In accordance with the instructions from C&D International Investment Group Limited (the "Company") for us to prepare a market valuation of the Jiangsu Land held by Suzhou Zhaoxiang Real Estate Development Company Limited (蘇州兆祥房地產開發有限公司) (the "Target Company") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the Jiangsu Land in existing state as at 31 December 2016 (the "valuation date").

Definition of Market Value

Our valuation of the Jiangsu Land represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC 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".

Valuation Basis and Assumptions

Our valuation of the Jiangsu Land excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Jiangsu Land held by Target Company, with reference to the PRC Legal opinion of the legal adviser, Liang & Co. (良翰律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Jiangsu Land for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Target Company and the PRC legal opinion of the Company's legal adviser, dated 25 February 2017, regarding the title to the Jiangsu Land and the interest in the Jiangsu Land. In valuing the Jiangsu Land, we have prepared our valuation on the basis that the owners have enforceable title to the and have free and uninterrupted rights to use, occupy or assign the Jiangsu Land for the whole of the unexpired terms as granted.

In respect of the Jiangsu Land situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Target Company, are set out in the notes in the valuation certificate.

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

Method of Valuation

In valuing the Jiangsu Land, which is held by the Target Company for development in the PRC, we have valued the Jiangsu Land on the basis that it will be developed and completed in accordance with the Target Company's latest development proposal provided to us. In arriving at our opinion of value of the Jiangsu Land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the expended construction costs.

In valuing the Jiangsu Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Sources of Information

We have been provided by the Target Company with extracts of documents in relation to the titles to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Company which is material to the valuation. We were also advised by the Target Company that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with copies of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

Our Shanghai Office Valuer, Rick Sun, has inspected the exterior and, whenever possible, the interior of the property in August, 2016. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the Jiangsu Land and we have assumed that the area shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

We enclose herewith our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 24 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

JIANGSU Land held by the Target Company for development in the PRC

Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 31 December 2016**
A piece of land with a total site area of approximately 224,623.60 square meters, Lot No. 2015-WG-27, east of Dongfang Avenue, south of Shanghu Road, Suzhou Wuzhong Economic Development Zone, Suzhou, Jiangsu Province, the PRC (the "Jiangsu Land")	The Jiangsu Land comprises a residential development by three phases erecting on a parcel of land with a site area of 224,623.60 square meters. As advised by the Target Company, the development has a total planned gross floor area of 493,383.37 sq m with details as follows: **Portion** — **Gross Floor Area (square meters)** Residential — 303,182.96 Retail — 16,946.06 Ancillaries — 16,806.38 Car Park — 156,447.97 **Total:** — **493,383.37** The Jiangsu Land is located in a lake area in Wuzhong Economic Development Zone, Suzhou, Jiangsu Province surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. According to the Target Company, the Jiangsu Land is planned for residential uses; there is no environmental issues and litigation dispute; there is no plan for change the use of the Jiangsu Land. The land use rights of the Jiangsu Land has been granted for terms due to expire on 15 November 2055 and 15 November 2085 for wholesale and retail and urban residential uses respectively.	According to the information, there will be three phrases of the project in total. The first phrase of the project has been started in February 2016 and is expected to be completed in December 2017. The second phrase has started in October 2016 and is expected to be completed by August 2018. The last phrase is expected to start in June 2017 and is expected to be completed by June 2020.	RMB4,184,000,000

Notes:

(1) According to Real Estate Title Certificate issued by 蘇州市國土資源局 (Land Resources Bureau of Suzhou Municipal), the land use rights of the property comprising a site area of 224,623.60 square meters, has been granted to the Target Company with terms due to expire on 15 November 2055 and 15 November 2085 for wholesale and retail and urban residential uses respectively.

(2) According to Grant Contract of State-owned Land Use Rights No. 3205012015CR0146 dated 6 November 2015 and the Supplementary Contract dated 28 December 2015, the land use rights of the Land is granted as below:

Grantee:	the Target Company
Site Area:	224,623.60 square meters
Land Use Term:	40 years for wholesale and retail; 70 years for residential
Land Premium:	RMB3,668,749,096
Plot Ratio:	1.5
Building Covenant:	Commence construction before 30 November 2016; complete construction before 30 November 2018.

(3) According to Planning Permit for Construction Use of Land No. 320506201600107 dated 20 January 2016, the construction site of land with a total site area of 224,623.60 square meters is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permit for Construction Works No. 320506201600161 issued by 蘇州市規劃局 (Planning Bureau of Suzhou Municipal) dated 24 May 2016, the construction works of phase 1 of the Jiangsu Land with a total planned gross floor area of 162,753.42 square meters are in compliance with the urban planning requirements and have been approved.

(5) According to Permit for Commencement of Construction Works No. 320506201605300201 issued by 蘇州市吳中區住房和城鄉建設局 (Housing and Urban-Rural Construction Bureau of Wuzhong District of Suzhou Municipal) dated 30 May 2016, the commencement of the construction works of phase 1 of the Jiangsu Land with a total gross floor area of 162,753.42 square meters was permitted.

(6) According to Permits for Pre-sale No. [2016] 230 dated 12 August 2016 and [2016] 273 dated 23 September 2016 issued by蘇州住房和城鄉建設局 (Housing and Urban Rural Construction Bureau of Suzhou), portion of the development with a total gross floor area of 81,359.42 square metres is allowed for pre-sale.

(7) As advised by the Target Company, the construction cost expended as at 31 December 2016 was approximately RMB199,675,000, the outstanding construction cost as at 31 December 2016 was approximately RMB2,072,000,000. In the course of our valuation, we have taken into account such amount in our valuation.

(8) The market value of the Jiangsu Land when completed as at 31 December 2016 was RMB8,668,000,000.

(9) According to Business Licence No. 91320506MA1MALE34W dated 30 October 2015, the Target Company was established on 30 October 2015 as a limited liability company with a registered capital of RMB 100,000,000.

(10) According to the PRC legal opinion:

(i) The Target Company has fully settled the land premium and obtained Real Estate Title Certificate;

(ii) The Jiangsu Land is subject to a bank mortgage for a loan amount of RMB2,600,000,000 for a period from 7 July 2016 to 6 July 2021;

(iii) The Target Company is entitled to pre-sale the development according to the prescribed scope of Permits for Pre-sale;

(iv) The Target Company has obtained the relevant approval to carry out construction and development.

(11) The status of title and grant of major approvals and licenses in accordance with the information provided the Target Company and the opinion of the PRC legal adviser:

Real Estate Certificate	Yes
Grant Contract of State-owned Land Use Rights and the Supplementary Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes (part)
Permit for Commencement of Construction Works	Yes (part)
Permit for Pre-sale	Yes (part)
Business Licence	Yes

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this Circular received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the Zhangzhou Land held by the "Joint Venture" as at 31 December 2016.

CUSHMAN & WAKEFIELD
戴德梁行

16/F Jardine House
1 Connaught Place
Central
Hong Kong

25 February 2017

The Directors
C&D International Investment Group Limited
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Dear Sirs,

Re: A piece of land with a total site area of approximately 44,828.15 square meters, Hubin Road West, Huge Road North, Longwen District, Zhangzhou City, Fujian Province, the People's Republic of China (the "Zhangzhou Land")

Instructions, Purpose & Valuation Date

In accordance with the instructions from C&D International Investment Group Limited (the "Company") for us to prepare a market valuation of the "Zhangzhou Land", held by Fujian Zhaohe Real Estate Company Limited (福建兆和房地產有限公司) (the "Joint Venture") in the People's Republic of China (the "PRC"); we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Zhangzhou Land in existing state as at 31 December 2016 (the "valuation date").

Definition of Market Value

Our valuation of the Zhangzhou Land represent its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2012 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC 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 where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

Our valuation of the Zhangzhou Land excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Zhangzhou Land held in the PRC, with reference to the PRC Legal opinion of the legal adviser, Fujian Xufeng Law Firm (福建旭豐律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Land for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Joint Venture and the PRC legal opinion of the Company's legal adviser, dated 25 February 2017, regarding the title to the Zhangzhou Land and the interests in the Zhangzhou Land. In valuing the Zhangzhou Land, we have prepared our valuation on the basis that the owners have enforceable title to the Zhangzhou Land and has free and uninterrupted rights to use, occupy or assign the Zhangzhou Land for the whole of the unexpired terms as granted.

In respect of the Zhangzhou Land situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Joint Venture, are set out in the notes in the valuation certificate.

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

Method of Valuation

In valuing the Zhangzhou Land, which is held by the Joint Venture for development in the PRC, we have valued the Zhangzhou Land by Direct Comparison Approach by making reference to comparable sales evidences as available in the relevant market and where appropriate, we have also taken into account the expended construction costs.

In valuing the Zhangzhou Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institutes of Surveyors.

Sources of Information

We have been provided by the Joint Venture with extracts of documents in relation to the title to the Zhangzhou Land. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Joint Venture in respect of the Zhangzhou Land in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of land, development scheme, construction cost, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Joint Venture which is material to the valuation. We were also advised by the Joint Venture that no material facts have been omitted from the information provided.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided with copies of documents in relation to the current title to the Zhangzhou Land. However, we have not been able to conduct searches to verify the ownership of the Zhangzhou Land or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Zhangzhou Land in the PRC and we have therefore relied on the advice given by the PRC Legal adviser and the Company.

Site Inspection

Our Xiamen Office valuer, Jessica Lin, has inspected the exterior and, wherever possible, the interior of the Zhangzhou Land in November 2016. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Zhangzhou Land and we have assumed that the areas shown on the copies of the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuation are in Renminbi (RMB) which is the official currency of the PRC.

We attach herewith a valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 24 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Zhangzhou Land Held by the Joint Venture for Development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
A piece of land with a total site area of approximately 44,828.15 square meters, Hubin Road West, Huge Road North, Longwen District, Zhangzhou, Fujian Province, the PRC (the "Zhangzhou Land")	The Zhangzhou Land is a residential development to be erected on a parcel of land with a total site area of 44,828.15 square meters. As advised by the Joint Venture, the development has a total planned gross floor area of 191,955.32 square meters with details as follows: **Portion** — **Gross Floor Area (square meters)** Residential — 145,335.37 Villa — 5,719.30 Ancillary Facilities — 8,212.51 Car Park — 32,688.14 **Total:** — **191,955.32** The Zhangzhou Land is located in a lake area in Longwen District, Zhangzhou city, Fujian Province surrounded by high end residential real estate projects of other renowned property developers in the PRC and is situated near an eco-park. According to the Joint Venture, the Zhangzhou Land is planned for residential uses; there is no environmental issues and litigation dispute; there is no plan for change the use of the Zhangzhou Land. The land use rights of the Zhangzhou Land has been granted for terms due to expire on 6 January 2086 for residential use and due to expire on 6 January 2056 for commercial use.	As at the valuation date, the property was under construction by two phases. The whole development is scheduled to be completed by April 2019.	RMB 798,000,000 (40% interest attributable to the Company: RMB 319,200,000)

Notes:

(1) According to Real Estate Title Certificate No. (2016) 00983 issued by 漳州市國土資源局 (Land Resources Bureau of Zhangzhou Municipal), the land use rights of the Zhangzhou Land comprising a site area of 44,828.15 square meters, has been granted to the Joint Venture with terms due to expire on 6 January 2086 for residential use and due to expire on 6 January 2056 for commercial use respectively.

(2) According to Grant Contract of State-owned Land Use Rights No. 35060020151103-005 dated 17 November 2015 and the Supplementary Contract, the land use rights of the Zhangzhou Land is granted as below:

Grantee:	the Joint Venture
Site Area:	44,828.15 square meters.
Land Use Term:	40 years for retail; 70 years for residential
Land Premium:	RMB 655,400,000
Plot Ratio:	No more than 3.4, no less than 1.0
Building Covenant:	Commence construction before 3 February 2017; complete construction before 3 February 2020.

(3) According to Planning Permit for Construction Use of Land No. 3506002016R0001 dated 5 January 2016, the construction site of the Zhangzhou Land with a total site area of 44,828.15 square meters. is in compliance with the requirements of urban planning requirement.

(4) According to Planning Permits for Construction Works No. 3506002016G0019 and No.3506002016G0030 issued by 漳州市城鄉規劃局 (Urban and Rural Planning Bureau of Zhangzhou Municipal) dated 2 June 2016 and 19 August 2016, the construction works of the Zhangzhou Land with a total planned gross floor area of 191,955.32 square meters are in compliance with the urban planning requirements and have been approved.

(5) According to Permits for Commencement of Construction Works No. 350600201606220101 and No.350600201609010101 issued by 漳州市住房和城鄉建設局 (Housing and Urban-Rural Construction Bureau of Zhangzhou Municipal) dated 22 June 2016 and 1 September 2016, the commencement of the construction works of the Zhangzhou Land with a total gross floor area of 126,594.47 square meters. was permitted.

(6) According to Permits for Pre-sale No. [2016] 064 dated 14 November 2016, [2016] 065 dated 14 November 2016 and [2016] 074 dated 13 December 2016 issued by漳州市住房和城鄉建設局 (Housing and Urban Rural Construction Bureau of Zhangzhou), portion of the development with a total gross floor area of 22,294.83 square metres is allowed for pre-sale.

(7) According to the information provided by the Joint Venture, the estimated total construction cost to complete the development is approximately RMB 680,498,436; a construction cost of approximately RMB87,900,000 has been expended for the development of the Zhangzhou Land as at valuation date. In the course of our valuation, we have taken into account the above expended construction cost.

(8) According to Business Licence No. 91350603MA344PXH5H dated 29 April 2016, the Joint Venture was established on 1 December 2015 as a limited liability company with a registered capital of RMB50,000,000.

(9) According to the PRC legal opinion:

(i) The Joint Venture has fully settled the land premium and obtained Real Estate Title Certificate;

(ii) The Zhangzhou Land is subject to a bank mortgage for a loan amount of RMB500,000,000 for a period from 1 November 2016 to 1 November 2019;

(iii) The Joint Venture has obtained the relevant approval to carry out construction and development; and

(iv) The share structure of the Joint Venture was Fujian Zhao Run Property Company Limited (福建兆潤房地產有限公司) 30%; Xiamen Yi Yue Property Company Limited (廈門益悦置業有限公司) 40% (an indirectly wholly-owned subsidiary of the Company) and Licheng Enterprise Management Company Limited (廈門利承企業管理有限公司) 30%. Each party contribute the capital, bear the loss and share the profit according to its equity ratio.

(9) The status of title and grant of major approvals and licence in accordance with the information provided to us the Joint Venture and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Grant Contract of State-owned Land Use Rights and the Supplementary Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (part)
Permit for Pre-sale	Yes (part)
Business Licence	Yes

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 that there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Mr. Zhuang Yuekai	Founder of a discretionary trust	50,580,000	11.82%
Mr. Shi Zhen	Founder of a discretionary trust	50,580,000	11.82%
Ms. Zhao Chengmin	Founder of a discretionary trust	50,580,000	11.82%

Note 1: The percentage of shareholding was calculated based on the Company's total issued share capital of 428,000,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company:

(a) was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or

(b) had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the Supervisors.

(b) **Substantial shareholders' interests**

So far as the Directors are aware, as at the Latest Practicable Date, the persons other than a Director or senior management of the Company who have interests or short positions in the Shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	**Capacity/nature of interest**	**Number of issued Shares held**	**Approximate percentage of shareholding in issued share capital (Note 3)**
Well Land International Limited (益能國際有限公司) ("**Well Land**") *(Note 1)*	Beneficial owner	215,472,000	50.34%
Well Honour International Limited (益鴻國際有限公司) ("**Well Honour**") *(Note 1)*	Interest of controlled corporation	215,472,000	50.34%
C&D Real Estate Corporation Limited (建發房地產集團有限公司) ("**C&D Real Estate**") *(Note 1)*	Interest of controlled corporation	215,472,000	50.34%
Xiamen C&D Inc. (廈門建發股份有限公司) *(Note 1)*	Interest of controlled corporation	215,472,000	50.34%

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 3)
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("**Xiamen C & D**") *(Note 1)*	Interest of controlled corporation	215,472,000	50.34%
Diamond Firetail Limited ("**Diamond Firetail**") *(Note 2)*	Beneficial owner	50,580,000	11.82%
Equity Trustee Limited ("**Equity Trustee**") *(Note 2)*	Interest of controlled corporations	50,580,000	11.82%
Mr. Zhuang Yuekai *(Note 2)*	Founder of a discretionary trust	50,580,000	11.82%
Mr. Shi Zhen *(Note 2)*	Founder of a discretionary trust	50,580,000	11.82%
Ms. Zhao Chengmin *(Note 2)*	Founder of a discretionary trust	50,580,000	11.82%
Ms. Zhang Yunxia *(Note 2)*	Founder of a discretionary trust	50,580,000	11.82%
Ms. Cheng Bing *(Note 2)*	Founder of a discretionary trust	50,580,000	11.82%

Notes:

(1) These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is company listed on the Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in all the Shares in which Well Land is interested by virtue of the SFO.

(2) These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands. Diamond Firetail is a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a wholly owned by

a discretionary trust (the "Trust") whereby the beneficiaries are: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited; (b) Mr. Zhuang Yuekai, who has approximately 5.82% interests in the Trust; (c) Mr. Shi Zhen, who has approximately 3.64% interests in the Trust; and (d) Ms. Zhao Chengmin, who has approximately 2.91% interests in the Trust (subject to the reallocation of interest by the trustee pursuant to the trust deed) by virtue of the SFO. Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founder of a discretionary trust.

(3) The percentage of shareholding was calculated based on the Company's total issued share capital of 428,000,000 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who, had or was deeded to have, interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 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 the Group or any options in respect of such share capital.

3. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 10 February 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the executive Directors is entitled to a director's emolument of HK$1,200,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three year commencing from 10 February 2015, 20 March 2015 and 29 April 2015 respectively, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the non-executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the non-executive Directors does not receive any director's emolument but he/she may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the independent non-executive Directors or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the independent non-executive Directors is entitled to a director's emolument of HK$120,000 per annum from 14 December 2012 and the emolument has been revised to HK$150,000 per annum from 21 March 2015.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

4. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	**Qualification**
Octal Capital	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DTZ	independent property valuer
Xiamen City University Assets Appraisal Co., Ltd.	independent property valuer
Grant Thornton Hong Kong Limited	certified public accountants
Liang & Co (良翰律師事務所)	PRC legal advisor
Fujian Xufeng Law Firm (福建旭豐律師事務所)	PRC legal advisor

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

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2015 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Enlarged Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are 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 consolidated financial statements of the Company were made up.

6. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Enlarged Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened by or against any member of the Enlarged Group.

9. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Enlarged Group which are or may be material:

(a) the Licheng Share Transfer Agreement;

(b) the Zhao Run Share Transfer Agreement;

(c) the Second Capital Increase Agreement;

(d) the subscription agreement dated 4 December 2016 entered into between Well Land International Limited and the Company in relation to the issue of perpetual convertible bond in an aggregate principal amount of HK$500,000,000;

(e) the placing agreement dated 4 December 2016 entered into between the Company and BaoQiao Partners Capital Limited in relation to the placing of 68,000,000 new Shares to not less than six placees;

(f) the First Capital Increase Agreement;

(g) the share subscription agreement dated 27 May 2015 entered into between the Company as issuer and Diamond Firetail Limited as subscriber in relation to the subscription of 50,580,000 Shares in the amount of HK$195,238,800;

(h) the share subscription agreement dated 27 May 2015 entered into between the Company as issuer and Mr. Lin Shuien as subscriber in relation to the subscription of 9,420,000 Shares in the amount of HK$36,361,200; and

(i) the share purchase agreement dated 10 December 2014 entered into between First Beijing International Limited, Ease Gain Holdings Limited, Chosen Leader Limited, Well Land International Limited and certain covenantors in relation to the sale and purchase of 225,000,000 Shares.

10. GENERAL

(a) The secretary to the Company is Soon Yuk Tai.

(b) The legal address, registered address and address of head office of the Company is at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

(c) The address of the Company's branch share registrar in Hong Kong is at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at our office of Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong from the date of this circular up to and including the date of EGM:

(a) the Second Capital Increase Agreement;

(b) the Licheng Share Transfer Agreement;

(c) the Zhao Run Share Transfer Agreement;

(d) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(e) the memorandum and articles of association of the Company;

(f) the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015;

(g) the accountants' report on the Target Company from the Auditors, the text of which is set out in Appendix II of this circular;

(h) the report from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III of this circular;

(i) the valuation report on the Jiangsu Land issued by DTZ, the text of which is set out in Appendix IV to this circular;

(j) service contracts of certain Directors as disclosed in this circular;

(k) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 30 to 31 of this circular;

(l) the letter issued by the Independent Financial Adviser, the text of which is set out on page 32 to 52 of this circular;

(m) the written consents referred to in the section headed "Experts' qualifications and consents" in this appendix;

(n) the legal opinion issued by Liang & Co mentioned in the valuation report on the Jiangsu Land;

(o) the Company's circular dated 21 April 2016;

(p) the Company's circular dated 23 September 2016;

(q) the Company's circular dated 26 January 2017; and

(r) this circular.

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of C&D International Investment Group Limited (the "**Company**") will be held at Office No. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Thursday, 16 March 2017 at 2:30 p.m., to consider, if thought fit, transact the following resolutions of the Company by way of ordinary resolutions:

ORDINARY RESOLUTIONS

THAT:

(1) (a) the share transfer agreement dated 5 January 2017 (the "**Zhao Run Share Transfer Agreement**") entered into between Xiamen Yi Yue Property Company Limited ("**Yi Yue**") and Fujian Zhao Run Property Company Limited ("**Zhao Run**") pursuant to which Zhao Run agreed to sell and Yi Yue agreed to purchase 30% equity interests in Fujian Zhaohe Real Estate Company Limited (the "**Joint Venture**") and the share transfer agreement dated 5 January 2017 (the "**Licheng Share Transfer Agreement**") entered into between Yi Yue and Licheng Enterprise Management Company Limited ("**Licheng**") pursuant to which Licheng agreed to sell and Yi Yue agreed to purchase 30% equity interests in the Joint Venture (copies of which marked "**A**" and "**B**" have been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transactions contemplated thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the "**Director(s)**") may consider necessary, desirable or appropriate;

(b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Zhao Run Share Transfer Agreement, the Licheng Share Transfer Agreement and any ancillary documentation and transactions thereof;

(2) (a) the capital increase agreement dated 5 January 2017 (the "**Second Capital Increase Agreement**") entered into between Yi Yue, Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited (a copy of which marked "**C**" respectively has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transactions contemplated thereunder, and all other transactions in connection therewith and any other ancillary documents, be and are hereby approved, confirmed and ratified, subject to such addition or amendment as any Director(s) may consider necessary, desirable or appropriate;

(b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Second Capital Increase Agreement and any ancillary documentation and transactions thereof;

Yours faithfully
By order of the Board
C&D International Investment Group Limited
建發國際投資集團有限公司
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 25 February 2017

Registered office:
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Head office and principal place of business in Hong Kong:
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares in the Company (the "**Shares**") may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.

2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or

under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office (the "**Branch Share Registrar**") of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).

4. The register of members of the Company will be closed from Tuesday, 14 March 2017 to Thursday, 16 March 2017 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at the above address by no later than 4:30 p.m. on Monday, 13 March 2017.

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the Directors are:

Executive Directors
Mr. Zhuang Yuekai (庄躍凱) *(Chairman)*
Mr. Shi Zhen (施震)
Ms. Zhao Chengmin (趙呈閩)

Non-executive Directors
Ms. Wang Xianrong (王憲榕)
Ms. Wu Xiaomin (吳小敏)
Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors
Mr. Wong Chi Wai (黃馳維)
Mr. Wong Tat Yan, Paul (黃達仁)
Mr. Chan Chun Yee (陳振宜)

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.