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

**If you have sold or transferred** all your securities in Kai Shi China Holdings Company Limited (開世中國控股有限公司)\*, you should at once hand this Document with the accompanying Forms of Acceptance to the purchaser or the transferee 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 or the transferee.

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This Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.



**LONGEVITY INVESTMENT HOLDING LIMITED**      **KAI SHI CHINA HOLDINGS COMPANY LIMITED**  
*(Incorporated in the British Virgin Islands with limited liability)*      *(incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 1281)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
THE UNCONDITIONAL MANDATORY CASH OFFERS  
BY**



**FOR AND ON BEHALF OF LONGEVITY INVESTMENT HOLDING LIMITED  
FOR THE SHARES IN KAI SHI CHINA HOLDINGS COMPANY LIMITED (OTHER THAN  
THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY LONGEVITY INVESTMENT  
HOLDING LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND FOR THE  
CANCELLATION OF ALL OUTSTANDING OPTIONS OF  
KAI SHI CHINA HOLDINGS COMPANY LIMITED**

**Financial Adviser to  
Longevity Investment Holding Limited**



**Financial Adviser to  
Kai Shi China Holdings Company Limited**



**Independent Financial Adviser to the Independent Board committee and  
the Independent Shareholders of Kai Shi China Holdings Company Limited**



Capitalised terms used in this cover page have the same meanings as those defined in the section headed "Definitions" in this Document.

A letter from the Board is set out on pages 16 to 20 of this Document.

A letter from CICCHK is set out on pages 8 to 15 of this Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders is set out on pages 21 and 22 of this Document.

A letter from the Independent Financial Adviser, Quam Capital, containing its advice on the Offers to the Independent Board Committee is set out on pages 23 to 40 of this Document.

The procedures for acceptance of the Offers and other related information are set out in Appendix I to this Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) by no later than 4:00 p.m. on Thursday, 26 February 2015 or such later time and/or date as Longevity may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code.

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## EXPECTED TIMETABLE

*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

2015

|   |   |
|---|---|
| Despatch date of this Document and the accompanying Forms of Acceptance and the commencement date of the Offers ( <i>Note 1</i> ) . . . . .                     | 30 January                                |
| Latest time and date for acceptance of the Offers ( <i>Note 2</i> ) . . . . .   | 26 February                               |
| Closing Date ( <i>Note 2</i> ) . . . . .  | 26 February                               |
| Announcement of the results of the Offers (or its extension or revision, if any), to be posted on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . . | no later than 7:00 p.m. on<br>26 February |
| Latest date for posting of remittance in respect of valid acceptances received under the Offers ( <i>Notes 3 and 4</i> ) . . . . .                              | 9 March                                   |

*Notes:*

1. The Offers, which are unconditional, are made on the date of posting of this Document, and are capable of acceptance on and from that date until the Closing Date.
2. The Offers, which are unconditional, will be closed on the Closing Date. The latest time for acceptance is 4:00 p.m. on the Closing Date unless Longevity revises or extends the Offers in accordance with the Takeovers Code. An announcement will be issued on the website of the Stock Exchange by 7:00 p.m. on 26 February 2015 stating whether the Offers have been revised or extended or have expired. In the event that Longevity decides that the Offers will remain open until further notice, at least 14 days' notice by way of an announcement will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of the acceptance of the Share Offer) payable for the Shares or the Options tendered under the Offers will be made as soon as possible, but in any event within seven (7) Business Days following the receipt by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) from the Independent Shareholders and Optionholders accepting the Offers of all documents to render the acceptance valid.

Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in Appendix I to this Document.

4. If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong:
  - (a) at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or

## EXPECTED TIMETABLE

- (b) at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, the latest time for acceptance of the Offers and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

**All time and date references contained in this Document and Forms of Acceptance refer to Hong Kong time and dates.**

## DEFINITIONS

*In this Document, the following expressions have the meanings set out below unless the context otherwise requires:*

|                        |   |
|------------------------|---|
| “acting in concert”    | has the meaning ascribed to it under the Takeovers Code   |
| “Asset Reorganisation” | the asset reorganisation of the Former Group, details of which are set out in the section headed “Asset Reorganisation” in the Circular   |
| “associate(s)”         | has the meaning ascribed to it under the Listing Rules  |
| “Board”                | the board of Directors  |
| “Business Day(s)”      | a day on which the Stock Exchange is open for the transaction of business   |
| “BVI”                  | the British Virgin Islands  |
| “CCASS”                | the Central Clearing and Settlement System established and operated by HKSCC  |
| “CICCHKS”              | China International Capital Corporation Hong Kong Securities Limited, a registered institution under the SFO, licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to Longevity in respect of the Offers |
| “Circular”             | the circular dated 24 December 2014 issued by the Company in relation to, among other things, the Share Sale Agreement, the Asset Reorganisation and the Distribution In Specie   |
| “Closing Date”         | Thursday, 26 February 2015, being the closing date of the Offers, which is 27 days after the date on which this Document is posted, or if the Offers are revised or extended, any subsequent closing date of the Offers as extended and announced by Longevity in accordance with the Takeovers Code  |
| “Company”              | Kai Shi China Holdings Company Limited (開世中國控股有限公司), an exempted company incorporated on 4 January 2011 with limited liability under the laws of the Cayman Islands, with the Shares listed on the Main Board of the Stock Exchange   |

## DEFINITIONS

|                                   |   |
|-----------------------------------|---|
| “connected person(s)”             | has the meaning ascribed to it under the Listing Rules  |
| “Director(s)”                     | the director(s) of the Company  |
| “Distribution In Specie”          | the distribution in specie of the shares of KSH by the Company to the Shareholders as described in section headed “Distribution In Specie” of the Circular  |
| “Document”                        | this composite offer and response document jointly issued by Longevity and the Company, which sets out, among others, details of the Offers in accordance with the Takeovers Code   |
| “Encumbrances”                    | any charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing   |
| “Excluded Options”                | 5,700,000 Options held by Mr. Kai and Ms. Hu Shicui and Mr. Kai has irrevocably and unconditionally undertaken in the Share Sale Agreement to Longevity that Mr. Kai will, and he shall procure Ms. Hu Shicui (i) not exercise any subscription rights attached to these Options prior to the close of the Offers; and (ii) not accept the Option Offer |
| “Executive”                       | the Executive Director of the Corporate Finance Division of the SFC and any of his delegates  |
| “Former Group”                    | the Company and its subsidiaries prior to the completion of the Asset Reorganisation and the Distribution In Specie   |
| “Form of Acceptance and Transfer” | the form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Document  |
| “Form of Cancellation”            | the form of acceptance and cancellation of the Options in respect of the Option Offer accompanying this Document  |
| “Forms of Acceptance”             | collectively, the Form of Acceptance and Transfer and the Form of Cancellation  |
| “Group” or “Remaining Group”      | the Company and its subsidiaries immediately after completion of the Asset Reorganisation and the Distribution In Specie  |
| “Hong Kong” or “HK”               | Hong Kong Special Administrative Region of the People’s Republic of China   |

## DEFINITIONS

|  |   |
|--|---|
| “HKSCC”  | Hong Kong Securities Clearing Company Limited   |
| “Independent Board Committee”                        | the independent committee of the Board comprising all the independent non-executive Directors, established to advise and give recommendation to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable and as to acceptance thereof       |
| “Independent Financial Adviser”<br>or “Quam Capital” | Quam Capital Limited, a licensed corporation under the SFO authorised to carry out type 6 (advising on corporate finance) regulated activity, being appointed as the independent financial adviser to advise the Independent Board Committee in respect, amongst others, of the terms of the Offers |
| “Joint Announcement”                                 | the joint announcement made by the Company, Yi Ming Jia Lin, KSH and Longevity dated 5 December 2014 in respect of, among other things, the Share Sale Agreement and the Offers   |
| “KSH”  | Kai Shi Holding Company Limited (開世控股有限公司), a company incorporated in BVI on 31 October 2014 with limited liability and a wholly-owned subsidiary of the Company immediately prior to the completion of the Distribution In Specie  |
| “Last Trading Day”                                   | 20 November 2014, being the last trading day of the Shares immediately prior to the issue of the Joint Announcement   |
| “Latest Practicable Date”                            | 27 January 2015, being the latest practicable date prior to the printing of this Document for ascertaining certain information contained herein   |
| “Listing Date”                                       | 12 January 2012, on which the Shares were listed on the Main Board of the Stock Exchange  |
| “Listing Rules”                                      | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Longevity”  | Longevity Investment Holding Limited, a company incorporated in BVI with limited liability and wholly owned by Mr. Wei, also being the purchaser under the Share Sale Agreement and the offeror under the Offers  |
| “Longjitaihe”  | Longjitaihe Industry Co. Ltd. (隆基泰和實業有限公司), a company incorporated in the PRC and which is ultimately controlled by Mr. Wei   |

## DEFINITIONS

|                         |  |
|-------------------------|--|
| “Mr. Kai”               | Mr. Kai Chenglian, the Chairman and Executive Director as at the Latest Practicable Date   |
| “Mr. Wei”               | Mr. Wei Shaojun, the sole shareholder of Longevity and the founder and chairman of Longjitaihe and the controlling Shareholder as at the Latest Practicable Date, being the Longevity’s guarantor under the Share Sale Agreement |
| “Offer Share(s)”        | issued Share(s) other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it when the Offers are made  |
| “Offers”                | collectively, the Share Offer and the Option Offer   |
| “Option(s)”             | options which have been granted by the Company in accordance with the Pre-IPO Option Scheme  |
| “Optionholder(s)”       | the holder(s) of the Options   |
| “Option Offer”          | the unconditional mandatory cash offer being made by CICCHKS, for and on behalf of Longevity for the cancellation of all outstanding Options in accordance with the Takeovers Code   |
| “Overseas Shareholders” | Shareholders, whose addresses, as shown on the register of members of the Company, are outside of Hong Kong  |
| “PRC”                   | the People’s Republic of China which, for the purpose of this Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Pre-IPO Option Scheme” | the pre-IPO share option scheme adopted by the Company on 24 June 2011   |
| “Registrar”             | Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, which is Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong   |
| “Relevant Period”       | the period commencing on 5 June 2014, i.e. the date falling six months preceding the date of the Joint Announcement and ending on and including the Latest Practicable Date  |
| “Sale Shares”           | 450,900,000 Shares, representing approximately 74.90% the total issued share capital of the Company as at the Latest Practicable Date  |

## DEFINITIONS

|                         |   |
|-------------------------|---|
| “SFC”                   | the Securities and Futures Commission of Hong Kong  |
| “SFO”                   | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Share(s)”              | ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| “Share Offer”           | the unconditional mandatory cash offer being made by CICCHKS, for and on behalf of Longevity to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code |
| “Share Offer Price”     | HK\$0.8568, the price at which the Share Offer is made  |
| “Share Sale Agreement”  | the sale and purchase agreement entered into between the Vendors, Longevity and Mr. Wei on 22 November 2014 in relation to the acquisition of the Sale Shares by Longevity  |
| “Share Sale Completion” | completion of the Share Sale Agreement which took place on 23 January 2015  |
| “Shareholder(s)”        | holder(s) of the issued Shares  |
| “Stock Exchange”        | The Stock Exchange of Hong Kong Limited   |
| “Takeovers Code”        | the Code on Takeovers and Mergers as in force in Hong Kong from time to time  |
| “Vendors”               | collectively, Mr. Kai and Yi Ming Jia Lin   |
| “Yi Ming Jia Lin”       | Yi Ming Jia Lin Holdings Company Limited, a company incorporated in BVI with limited liability, the former controlling Shareholder of the Company, which is wholly owned by Mr. Kai as at the Latest Practicable Date   |
| “HK\$”                  | Hong Kong dollars, the lawful currency of Hong Kong   |
| “RMB”                   | Renminbi, the lawful currency of the PRC  |
| “%”                     | per cent.   |

## LETTER FROM CICCHKS



CHINA INTERNATIONAL CAPITAL CORPORATION  
HONG KONG SECURITIES LIMITED

30 January 2015

*To the Shareholders and the Optionholders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG  
SECURITIES LIMITED FOR AND ON BEHALF OF  
LONGEVITY INVESTMENT HOLDING LIMITED  
FOR THE SHARES IN  
KAI SHI CHINA HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY LONGEVITY INVESTMENT HOLDING LIMITED AND PARTIES ACTING  
IN CONCERT WITH IT) AND  
FOR THE CANCELLATION OF ALL OUTSTANDING OPTIONS OF  
KAI SHI CHINA HOLDINGS COMPANY LIMITED**

### INTRODUCTION

On 22 November 2014, the Vendors, Longevity and Mr. Wei entered into the Share Sale Agreement, pursuant to which the Vendors have conditionally agreed to sell and procure the sale of, and Longevity has conditionally agreed to purchase, the Sale Shares, being 450,900,000 Shares at an aggregate consideration of HK\$386,331,120, representing HK\$0.8568 per Sale Share. Immediately upon the Share Sale Completion which took place on 23 January 2015, Longevity and parties acting in concert with it owned 450,900,000 Shares, representing approximately 74.90% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, Longevity is required to make the Share Offer, which will be an unconditional mandatory cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and the Option Offer for cancellation of all outstanding Options pursuant to the Takeovers Code.

This letter sets out, among other things, the details of the terms of the Offers, information on Longevity and the intention of Longevity regarding the Group. Further details of the terms of the Offers and the procedures for acceptance of the Offers are set out in Appendix I to this Document and in the Forms of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser as set out in this Document.

# LETTER FROM CICCHKS

## THE OFFERS

### Principal terms of the Offers

CICCHKS is making, for and on behalf of Longevity and pursuant to the Takeovers Code, the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and to cancel all outstanding Options on the following basis:

**for each Offer Share held . . . . .HK\$0.8568 in cash**

**for cancellation of each Option held . . . . .HK\$0.1368 in cash**

The Offers are unconditional in all respects.

As at the Latest Practicable Date, the Company had 602,000,000 Shares in issue and, save for the 11,140,000 outstanding Options conferring the rights to the Optionholders to subscribe for an aggregate of 11,140,000 new Shares at HK\$0.72 per Share, the Company had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Out of the 11,140,000 outstanding Options, 3,280,000 Options are currently exercisable. Assuming all the 11,140,000 outstanding Options are exercised in full, the Company will have to issue 11,140,000 Shares, representing approximately 1.85% of the existing issued share capital of the Company as at the Latest Practicable Date. The Option Offer to cancel each Option will be calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options. In respect of the 11,140,000 Options convertible at an exercise price of HK\$0.72 per Share, the cancellation consideration will be HK\$0.1368 per Option. According to the Pre-IPO Option Scheme, all the 11,140,000 outstanding Options are immediately exercisable upon the Share Offer becoming or being declared unconditional.

As at the Latest Practicable Date, Mr. Kai and Ms. Hu Shicui were holding an aggregate of 5,700,000 Options conferring the right to subscribe for 5,700,000 Shares and Mr. Kai had irrevocably and unconditionally undertaken to Longevity under the Share Sale Agreement that Mr. Kai will, and he shall procure Ms. Hu Shicui to, (i) not exercise any subscription rights attached to the Excluded Options held by him/her prior to the close of the Offers; and (ii) not accept the Option Offer. Save for the aforesaid, none of Longevity and parties acting in concert with it had received any indication or irrevocable commitment from any Shareholder that he/she/it will accept or reject the Offers as at the Latest Practicable Date.

## LETTER FROM CICCHKS

### Comparisons of value

The Share Offer Price of HK\$0.8568 per Offer Share, which is equal to the price paid by Longevity for each of the Sale Shares under the Share Sale Agreement, represents:

- a discount of approximately 67.67% to the closing price of HK\$2.65 per Share as quoted on the Stock exchange on the Latest Practicable Date;
- a discount of approximately 41.32% to the closing price of HK\$1.460 per Offer Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 35.29% to, and a discount of approximately 36.44% to, the average of the closing prices of approximately HK\$1.324 and HK\$1.348 per Share, respectively as quoted on the Stock Exchange for the 5 and 30 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 36.90% to the average of the closing prices of approximately HK\$1.358 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day; and
- a premium of approximately 37.75% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.622 per Share as at 30 June 2014 based on the interim report of the Company for the six months ended 30 June 2014.

### Highest and lowest Share prices

The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$2.97 per Share on 16 January 2015. The lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period was HK\$1.21 per Share on 5 November 2014.

### Total consideration

Based on the Share Offer Price of HK\$0.8568 per Offer Share and 602,000,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company was valued at approximately HK\$515,793,600. In the event that all outstanding Options (excluding the Excluded Options) are fully exercised prior to the closing of the Offers, 5,440,000 Shares will be issued. The maximum amount payable by Longevity for the Share Offer of these 5,440,000 Shares will be approximately HK\$4,660,992.

In the event that no Options have been exercised by the Optionholders prior to the closing of the Offers and the Option Offer is accepted in full (excluding the Excluded Options), the total amount of cash required to settle the Share Offer and the Option Offer would be HK\$129,462,480 and HK\$744,192, respectively.

## LETTER FROM CICCHKS

### **Financial resources available to Longevity**

The maximum amount of funds required for the full acceptance of the Offers by Longevity has been financed by a combination of a term loan facility in the amount of HK\$515,334,150 provided by Luso International Banking Limited and its internal resources. No payment of interest on, repayment of or security for any liability (contingent or otherwise) in respect of the term loan facility granted by Luso International Banking Limited will depend to any significant extent on the business of the Company. CICCHKS, the financial adviser to Longevity in respect of the Offers, is satisfied that sufficient financial resources are available to Longevity to satisfy full acceptance of the Offers.

### **Effect of accepting the Offers**

Acceptance of the Offers by the relevant Shareholders will be deemed to constitute a warranty by such person to Longevity, CICCHKS and the Company that the Shares sold under the Share Offer are sold by such person free from all Encumbrances and together with all rights attaching or accruing thereto including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of posting of this Document. As the case may be, the relevant Optionholders will surrender to the Company their Share Options for cancellation by the Company.

The Offers are unconditional in all respects and will open for acceptance from the date of this Document until 4:00 p.m. on the Closing Date. Acceptance of the Offers tendered by the Independent Shareholders and/or the Optionholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

### **Overseas Shareholders and Optionholders**

The availability of the Offers to the Independent Shareholders who are not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents. Overseas Shareholders and Optionholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders and Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

### **Stamp duty**

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by the relevant Shareholders at a rate of 0.1% of: (i) the market value of the Offer Shares; or (ii) the consideration payable by Longevity in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount

## LETTER FROM CICCHKS

payable by Longevity on behalf of the relevant Shareholders accepting the Share Offer. Longevity will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with acceptance of the Option Offer.

### **Acceptance and settlement**

Payment in cash in respect of acceptance of the Offers will be made as soon as possible but in any event within seven (7) Business Days (as defined in the Takeovers Code) following the receipt by Longevity or its agent acting on its behalf of duly completed acceptances pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code. Settlement of the amounts due to the accepting Shareholders/Optionholders will be implemented in full without regard to any lien, right of set-off, counterclaim or other analogous right to which Longevity may otherwise be, or claim to be, entitled against such Shareholders/Optionholders.

Appendix I to this Document and the Forms of Acceptance contain, amongst others, further details regarding the procedures for acceptance and settlement of the Offers.

### **INFORMATION OF LONGEVITY**

Longevity is an investment holding company incorporated in BVI with limited liability and is wholly owned by Mr. Wei. As at the Latest Practicable Date, save for the acquisition of the Sale Shares, (i) Longevity had not engaged in any substantial business activities; and (ii) the directors of Longevity are Mr. Wei and Ms. Zhen Xiaojing.

Mr. Wei, aged 51, is the founder, the controlling shareholder and the chairman of Longjitaihe and has approximately 18 years of experiences in real property development industry. From 1996 and 2003, Mr. Wei acted as the general manager of Hebei Gaobeidian Construction Enterprise Group No 6 Construction Company Limited (河北省高碑店市建築企業集團第六建築工程有限公司) and has accumulated a wealth of practical and management experience, which has laid down a solid foundation for the development of Longjitaihe. In 2002, Mr. Wei founded Longjitaihe, and under the leadership of Mr. Wei, Longjitaihe has developed from a small-scale business into a large-scale industrial group which integrated diversified industries including real estate development, commercial operations and new energy.

Mr. Wei was a Member of the 12th National People's Congress, a Member of the 9th and 10th Hebei Province Committee of the Chinese People's Political Consultative Conference (CPPCC), a National Model Worker, and the vice chairman of the Hebei Province Federation of Industry & Commerce. Mr. Wei has also been awarded the honorary titles such as the "China Honesty Entrepreneur", the "Person Award for Outstanding Contributions to 30 Years of Reform and Opening-up of China in the Commerce Industry" and the "Hebei Province Outstanding Private Entrepreneur".

## LETTER FROM CICCHKS

Longjitaihe was awarded “2013 China Top 500 Enterprises” (ranked 216th), “2014 China Top 100 Real Estate Enterprises” (ranked 48th), “2013 Chinese Real Estate Sales in Billion Enterprises List” (ranked 43rd, sales of 2013 reached RMB17 billion) and China Outstanding Commercial Real Estate Enterprise. Longjitaihe has a National Grade 1 Qualification in Real Estate Development. The three core businesses of Longjitaihe are residential real estate development, special market development and operation, and new energy. Its real estate projects are mainly located in various regions within Capital Economic Circle in Beijing, Tianjin and Hebei Province, which shows Longjitaihe as the leading real estate developer within the above-mentioned regions. Up to now, Longjitaihe has developed more than 70 projects with a total development area of over 15 million square meters. In respect of the special market, Longjitaihe has cumulatively constructed and has been operating 12 wholesale markets, in particular, the Hedao International Cases and Bags Trading Center in Baigou, Hebei Province with a total area of two million square meters, which has the reputation of “Yiwu in the South Areas, Baigou in the North Areas” (南義烏·北白溝). The industries located in Dahongmen district of Beijing have been integrated with and consolidated into such wholesale markets, which are being described as the “Beijing-Tianjin-Hebei Market Transformation Base” (京津冀協同發展承接市場轉移示範基地). In respect of new energy, Lightway Green New Energy Co., Ltd. (光為綠色新能源股份有限公司) was founded in 2008 and principally engaged in the production and sale of photovoltaics (PV), and was one of the first batches of PV-focused demonstration area in China. Lightway Green New Energy Co., Ltd. has also started to develop the PV power plant in 2012, which is one of the first batches of 18 Distributed PV Power Generation Demonstration Area Projects.

### INTENTION OF LONGEVITY REGARDING THE GROUP

Longevity intends to continue to operate the existing businesses of the Group with the financial and technical support from Mr. Wei and his controlled companies, in particular, Longjitaihe. Leveraged on the background, experience, resources and network of Mr. Wei and Longjitaihe (the three core businesses such as property development as mentioned above), Longevity is confident that the Group will be able to identify more business opportunities and potential to further develop its businesses and expand its income base. As at the Latest Practicable Date, Longevity had (i) no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets; and (ii) no plan and had not engaged in any discussion or negotiation on any injection of any assets or businesses into the Group.

Immediately after the close of the Offers, Longevity will conduct a detailed review of the financial position and operations of the Group in order to formulate a long-term suitable business strategy for the Group and explore other business/investment opportunities for enhancing its future development and broadening its income stream and asset base. As at the Latest Practicable Date, Longevity had not identified such investment or business opportunities. Longevity has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as detailed in the section headed ‘Proposed change to the Board composition of the Company’ below) or to dispose of or re-allocate the Group’s assets (including any re-deployment of the fixed assets of the Company) which are not in the ordinary and usual course of business of the Group.

## LETTER FROM CICCHKS

### **PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY**

As at the Latest Practicable Date, the Board was made up of seven Directors, comprising four executive Directors and three independent non-executive Directors. All the existing Directors had tendered their resignations as Directors and (where appropriate) the subsidiaries of the Group, and their resignations from the Board will take effect on the Closing Date.

Longevity will nominate new Directors to the Board on or after the date of the despatch of this Document and will be in full compliance with relevant regulations and Rule 26.4 of the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

Longevity intends to maintain the listing status of the Company and has no intention to privatize the Company by availing itself of any powers of compulsory acquisition which may be available to it under the provisions of the BVI Business Companies Act after the close of the Offers.

**The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

**it will consider exercising its discretion to suspend dealings in the Shares.**

**Longevity intends the Company to remain listed on the Stock Exchange. The directors of Longevity and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.**

### **TAX IMPLICATIONS**

**None of the Company, Longevity, CICCHKS, the Independent Financial Adviser, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offers is in a position to advise the Independent Shareholders and the Optionholders on their individual tax implications. The Independent Shareholders and the Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of the Company, Longevity, the professional advisers to the Company and Longevity or any of their respective directors or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders and the Optionholders.**

## LETTER FROM CICCHKS

### GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

All documents and remittances sent to the Shareholders and the Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders and the Optionholders at their respective addresses as they appear in the register of members and register of Optionholders of the Company or in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company. None of the Company, Longevity, CICCHKS, the Independent Financial Adviser, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to the sections headed “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” as set out in this Document, of which this letter forms part. Your attention is also drawn to the additional information set out in the appendices to this Document and the Forms of Acceptance.

Yours faithfully,  
For and on behalf of  
**China International Capital Corporation**  
**Hong Kong Securities Limited**  
**Yongren Chen**  
*Executive Director*

LETTER FROM THE BOARD



**KAI SHI CHINA HOLDINGS COMPANY LIMITED**

**開世中國控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1281)**

*Executive Directors:*

Mr. Kai Chenglian

*(Chairman and Chief Executive Officer)*

Mr. Kai Xiaojiang

Ms. Jiang Shuxia

Ms. Han Liping

*Independent Non-executive Directors:*

Ms. Yang Jing

Mr. Li Fook Wing

Ms. Sun Huijun

*Registered office:*

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

*Head office and principal*

*place of business:*

Office E, 10th Floor

China Overseas Building

No. 139 Hennessy Road

Wanchai

Hong Kong

30 January 2015

*To the Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS  
BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG  
SECURITIES LIMITED FOR AND ON BEHALF OF LONGEVITY  
INVESTMENT HOLDING LIMITED  
FOR THE SHARES IN KAI SHI CHINA HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY LONGEVITY INVESTMENT HOLDING LIMITED AND PARTIES ACTING  
IN CONCERT WITH IT) AND FOR THE CANCELLATION OF ALL  
OUTSTANDING OPTIONS OF  
KAI SHI CHINA HOLDINGS COMPANY LIMITED**

## LETTER FROM THE BOARD

### INTRODUCTION

Reference is made to the Joint Announcement and the Circular.

On 16 January 2015, the resolutions in respect of, among other things, the Distribution In Specie was duly approved at the EGM. The Share Sale Agreement and the Distribution In Specie were completed on 23 January 2015 and 26 January 2015, respectively.

Upon the Share Sale Completion on 23 January 2015 and as at the Latest Practicable Date, Longevity and parties acting in concert with it became interested in 450,900,000 Shares, representing approximately 74.90% of the entire issued share capital of the Company. Accordingly, Longevity is required to make an unconditional mandatory cash offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code and to cancel all outstanding Options.

The purpose of this Document is to provide you with, among other things, information on and the procedures for acceptance and settlement of the Offers, the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and Optionholders in respect of the terms of the Offers and acceptance, the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee in respect of the terms of the Offers and acceptance, the financial information of the Group as well as other general information relating to the Group.

### THE OFFERS

The following information about the Offers is extracted from the “Letter from CICCHK” contained in this Document.

CICCHK is making, on behalf of Longevity and pursuant to the Takeovers Code, the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and to cancel all the outstanding Options, on the following basis:

**for each Offer Share held . . . . .HK\$0.8568 in cash**

**for cancellation of each Option held . . . . .HK\$0.1368 in cash**

As at the Latest Practicable Date, the Company had 602,000,000 Shares in issue and, save for the 11,140,000 outstanding Options conferring the rights to the Optionholders to subscribe for an aggregate of 11,140,000 new Shares at HK\$0.72 per Share, the Company had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

## LETTER FROM THE BOARD

Assuming all the 11,140,000 outstanding Options are exercised in full, the Company will have to issue 11,140,000 Shares, representing approximately 1.85% of the existing issued share capital of the Company as at the Latest Practicable Date. According to the Pre-IPO Option Scheme, all the 11,140,000 outstanding Options are immediately exercisable upon the Share Offer becoming or being declared unconditional.

As at the Latest Practicable Date, Mr. Kai and Ms. Hu Shicui were holding an aggregate of 5,700,000 Excluded Options conferring the right to subscribe for 5,700,000 Shares and Mr. Kai had irrevocably and unconditionally undertaken to Longevity under the Share Sale Agreement that Mr. Kai will, and he shall procure Ms. Hu Shicui, (i) not exercise any subscription rights attached to the Excluded Options held by him/her prior to the close of the Offers; and (ii) not accept the Option Offer.

### **Further details of the Offers**

Further details of the Offers including, among other things, its extension to the Overseas Shareholders and the Optionholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the “Letter from CICCHKS” contained in this Document, Appendix I to this Document and the accompanying Forms of Acceptance.

### **INFORMATION ON THE GROUP**

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in provision of construction and engineering services and manufacture, processing and sales of doors and windows upon completion of the Distribution In Specie on 26 January 2015.

Further financial information in relation to the Former Group and the Remaining Group is set out in Appendices II and III to this Document, respectively. Please also refer to the Circular for further information in relation to the Former Group.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before the Share Sale Completion; (ii) immediately after the Share Sale Completion and as at the Latest Practicable Date; (iii) immediately after the Share Sale Completion and assuming all the outstanding Options are cancelled; and (iv) immediately after the Share Sale Completion and assuming all the outstanding Options (save for the Excluded Options) are exercised in full:

|   | (i) Immediately before the<br>Share Sale Completion |                      | (ii) Immediately after the<br>Share Sale Completion and<br>as at the Latest Practicable<br>Date |                      | (iii) Immediately after the<br>Share Sale Completion and<br>assuming all the<br>outstanding Options are<br>cancelled |                      | (iv) Immediately after the<br>Share Sale Completion and<br>assuming all the<br>outstanding Options (save<br>for the Excluded Options)<br>are exercised in full<br>(Note 4) |                      |
|---|---|----------------------|---|----------------------|--|----------------------|--|----------------------|
|   | Approximate<br>Number of<br>Shares                  | Shareholding<br>%    | Approximate<br>Number of<br>Shares  | Shareholding<br>%    | Approximate<br>Number of<br>Shares   | Shareholding<br>%    | Approximate<br>Number of<br>Shares   | Shareholding<br>%    |
|   |   |                      |   |                      |  |                      |  |                      |
| The Vendors and the spouse and son of Mr. Kai (Note 1)        | 450,900,000   | 74.90                | —   | —                    | —  | —                    | 1,200,000  | 0.20                 |
| Longevity and parties acting in concert with it (Note 2)      | —   | —                    | 450,900,000   | 74.90                | 450,900,000  | 74.90                | 450,900,000  | 74.23                |
| Directors (other than Mr. Kai and Mr. Kai Xiaojiang) (Note 3) | 600,000   | 0.10                 | 600,000   | 0.10                 | 600,000  | 0.10                 | 3,000,000  | 0.49                 |
| Public Shareholders   | <u>150,500,000</u>                                  | <u>25.00</u>         | <u>150,500,000</u>  | <u>25.00</u>         | <u>150,500,000</u>   | <u>25.00</u>         | <u>152,340,000</u>   | <u>25.08</u>         |
| <b>Total</b>  | <u><u>602,000,000</u></u>                           | <u><u>100.00</u></u> | <u><u>602,000,000</u></u>   | <u><u>100.00</u></u> | <u><u>602,000,000</u></u>  | <u><u>100.00</u></u> | <u><u>607,440,000</u></u>  | <u><u>100.00</u></u> |

*Notes:*

- Immediately before the Share Sale Completion, 450,000,000 Shares, 340,000 Shares, 260,000 Shares and 300,000 Shares were held directly by Yi Ming Jia Lin, Mr. Kai, Ms. Hu Shicui (the spouse of Mr. Kai) and Mr. Kai Xiaojiang (the son of Mr. Kai and a Director), respectively. As at the Latest Practicable Date, Mr. Kai and Ms. Hu Shicui were holding an aggregate of 5,700,000 Excluded Options conferring the right to subscribe for 5,700,000 Shares and Mr. Kai had irrevocably and unconditionally undertaken to Longevity under the Share Sale Agreement that Mr. Kai will, and he shall procure Ms. Hu Shicui not to exercise any subscription rights attached to the Excluded Options held by him/her prior to the close of the Offers. As for Mr. Kai Xiaojiang, he was holding 1,200,000 Options conferring the right to subscribe for 1,200,000 Shares as at the Latest Practicable Date.
- Longevity and its parties acting in concert did not own any Shares immediately before the Share Sale Completion.
- As at the Latest Practicable Date, 600,000 Shares are directly owned as to 300,000 Shares by each of Ms. Jiang Shuxia and Ms. Han Liping, respectively; and each of Ms. Jiang Shuxia and Ms. Han Liping was holding 1,200,000 Options conferring the right to subscribe for 1,200,000 Shares.
- As at the Latest Practicable Date, there were 11,140,000 outstanding Options. According to the Pre-IPO Option Scheme, all the 11,140,000 outstanding Options are immediately exercisable upon the Share Offer becoming or being declared unconditional.

## **LETTER FROM THE BOARD**

### **INTENTION OF LONGEVITY ON THE GROUP**

Your attention is drawn to the sections headed “Information of Longevity” as set out on pages 12 to 13 of this Document and “Intention of Longevity Regarding The Group” as set out on page 13 of this Document in the “Letter from CICCHKS”. The Board is aware of the intention of Longevity in respect of the Group and its employees and is willing to co-operate with Longevity further which is in the interests of the Company and the Shareholders as a whole.

### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors, who have no direct or indirect interest in the Offers, has been formed in order to advise and give its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers. Quam Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, with the approval of the Independent Board Committee, has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offers.

### **RECOMMENDATIONS**

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this Document, which contains its advices and recommendations to the Independent Shareholders and the Optionholders in respect of the Offers; and (ii) the letter from the Independent Financial Adviser set out on pages 23 to 40 of this Document, which contains its advice to the Independent Board Committee and the Independent Shareholders and the Optionholders in relation to the Offers and the principal factors considered by it before arriving at its recommendations.

### **ADDITIONAL INFORMATION**

You are also advised to read this Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers. Your attention is drawn to the additional information contained in the appendices to this Document.

Yours faithfully,  
By Order of the Board  
**Kai Shi China Holdings Company Limited**  
**Kai Chenglian**  
*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers.*



### **KAI SHI CHINA HOLDINGS COMPANY LIMITED**

**開世中國控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1281)**

30 January 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS  
BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG  
SECURITIES LIMITED FOR AND ON BEHALF OF LONGEVITY  
INVESTMENT HOLDING LIMITED  
FOR THE SHARES IN KAI SHI CHINA HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY LONGEVITY INVESTMENT HOLDING LIMITED AND PARTIES ACTING  
IN CONCERT WITH IT) AND FOR THE CANCELLATION OF ALL  
OUTSTANDING OPTIONS OF  
KAI CHI CHINA HOLDINGS COMPANY LIMITED**

#### **INTRODUCTION**

We refer to the composite offer and response document (the “**Document**”) dated 30 January 2015 jointly issued by Longevity and the Company of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to acceptance thereof.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Quam Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee to advise the Independent Board Committee in respect of the terms of the Offers and as to acceptance thereof. Details of its advice and principal factors taken into consideration in arriving at its advice are set out in the letter from the Independent Financial Adviser on pages 23 to 40 of the Document.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from CICCHKS” and the additional information set out in the appendices to the Document.

### RECOMMENDATION

Having taken into account the terms of the Offers and the advice from the Independent Financial Adviser and the principal factors taken into account in arriving at its advice, we are of the opinion that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Share Offer. In addition, the Option Offer has adopted the “see-through” price approach, which each existing Option would be cancelled in exchange for cash being an amount equal to HK\$0.1368 per Option, which is the difference between the Share Offer Price of HK\$0.8568 and the exercise price of the Option of HK\$0.72. On this basis, we are of the opinion that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned and recommend the Independent Shareholders to accept the Option Offer.

In any case, the Independent Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and the Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in the Document.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Ms. Yang Jing**

**Mr. Li Fook Wing**

**Ms. Sun Huijun**

*Independent non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of a letter of advice from Quam Capital, the independent financial adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into the Document, setting out its advice to the Independent Board Committee in respect of the Offers.*



**Quam Capital Limited**

A Member of The Quam Group

30 January 2015

*To the Independent Board Committee*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER  
BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG  
SECURITIES LIMITED FOR AND ON BEHALF OF  
LONGEVITY INVESTMENT HOLDING LIMITED  
FOR THE SHARES IN KAI SHI CHINA HOLDINGS COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY LONGEVITY INVESTMENT HOLDING LIMITED AND PARTIES  
ACTING IN CONCERT WITH IT) AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF  
KAI SHI CHINA HOLDINGS COMPANY LIMITED**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the Optionholders in respect of the Offers. Details of the Offers, among other things, are set out in the composite offer and response document jointly issued by the Company and Longevity dated 30 January 2015 (“**Document**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as defined in the Document.

Upon the Share Sale Completion which took place on 23 January 2015, Longevity and parties acting in concert with it became interested in 450,900,000 Shares, representing approximately 74.90% of the entire issued share capital of the Company as at the Latest Practicable Date. Longevity is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

CICCHKS is making, on behalf of Longevity and pursuant to Rule 26.1 of the Takeovers Code, the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and to cancel all outstanding Options on the following basis:

- for each Offer Share held . . . . . HK\$0.8568 in cash**
- for cancellation of each Option held. . . . . HK\$0.1368 in cash**

**THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Yang Jing, Mr. Li Fook Wing and Ms. Sun Huijun, has been formed to advise the Independent Shareholders and the Optionholders in respect of the terms of the Offers and as to acceptance. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders and the Optionholders in such regard. Our appointment has been approved by the Independent Board Committee.

Quam Capital is not associated or connected with the Company, the Vendors or Longevity, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders and the Optionholders in respect of the Offers. 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 Company, the Vendors or Longevity, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

**BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Document; (ii) the information and facts supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Document were true, accurate and complete in all respects at the time they were made and as at the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Document and that all information or representations regarding the Group, the Vendors and Longevity provided to us by the Company, the Directors and the management of the Group, the Vendors and Longevity are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and should there be any

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

subsequent material changes in such information or the content of this letter of advise, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Document so as to provide a reasonable basis for our recommendation. We have neither carried out any independent verification of the information, nor conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Vendors or Longevity or any of their respective subsidiaries or associates.

We have not considered the tax implications on the Independent Shareholders and the Optionholders since these are particular to their individual circumstances. In particular, Independent Shareholders and Optionholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders and the Optionholders regarding the Offers, we have taken into consideration the principal factors and reasons set out below:

#### **1. Background of the Offers**

On 5 December 2014, it was jointly announced by the Company, Longevity, Yi Ming Jia Lin and KSH that the Vendors, Longevity and Mr. Wei had entered into the Share Sale Agreement pursuant to which the Vendors have conditionally agreed to sell and procure the sale of, and Longevity has conditionally agreed to purchase, the Sale Shares, being 450,900,000 Shares, representing approximately 74.90% of the entire issued share capital of the Company as at the date of the Joint Announcement. The Share Sale Agreement was conditional upon, amongst other things, the completion of the Asset Reorganisation, pursuant to which, the Group would, amongst other things, reorganise itself from the Remaining Group (which is principally engaged in the business of construction and engineering services and manufacture, processing and sales of doors and windows in the PRC (i.e. the Remaining Businesses)) and the KSH Group (which is principally engaged in property development (i.e. the Distributed Businesses)).

Upon the Share Sale Completion which took place on 23 January 2015, Longevity and parties acting in concert with it became interested in 450,900,000 Shares, representing approximately 74.90% of the entire issued share capital of the Company as at the Latest Practicable Date. Longevity is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CICCHKS is making, on behalf of Longevity and pursuant to Rule 26.1 of the Takeovers Code, the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it) and to cancel all outstanding Options on the following basis:

**for each Offer Share held . . . . .HK\$0.8568 in cash**

**for cancellation of each Option held. . . . .HK\$0.1368 in cash**

As at the Latest Practicable Date, there are 602,000,000 Shares in issue and, save for the 11,140,000 outstanding Options conferring the rights to the Optionholders to subscribe for an aggregate of 11,140,000 new Shares at HK\$0.72 per Share, the Company has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Out of the 11,140,000 outstanding Options, 3,280,000 Options are currently exercisable. Assuming all the 11,140,000 outstanding Options are exercised in full, the Company will have to issue 11,140,000 Shares, representing approximately 1.85% of the existing issued share capital of the Company as at the Latest Practicable Date. The Option Offer to cancel each Option will be calculated on a see-through basis pursuant to Rule 13.5 and Practice Note 6 of the Takeovers Code, so that each Optionholder will be entitled to receive a price for his/her Options being the amount by which the consideration for the Share Offer exceeds the exercise price of his/her Options. In respect of the 11,140,000 Options convertible at an exercise price of HK\$0.72, the cancellation consideration will be HK\$0.1368 per Option. According to the Pre-IPO Option Scheme, all the 11,140,000 outstanding Options are immediately exercisable upon the Share Offer becoming or being declared unconditional.

As at the Latest Practicable Date, Mr. Kai and Ms. Hu Shicui are holding an aggregate of 5,700,000 Excluded Options conferring the right to subscribe for 5,700,000 Shares and Mr. Kai has irrevocably and unconditionally undertaken to Longevity under the Share Sale Agreement that Mr. Kai will, and he shall procure Ms. Hu Shicui, (i) not exercise any subscription rights attached to the Excluded Options held by him/her prior to the close of the Offers; and (ii) not accept the Option Offer. Save for the aforesaid, none of Longevity and parties acting in concert with it has received any indication or irrevocable commitment from any Shareholder that he/she/it will accept or reject the Offers as at the Latest Practicable Date.

### **2. Information of the Group**

Following the Asset Reorganisation and the Distribution In Specie, the Remaining Group is engaged in construction and engineering services and manufacture, processing and sales of doors and windows in the PRC.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2.1 *Financial performance of the Group*

Set out below are the financial information of the Group as extracted from the annual reports of the Company for the two years ended 31 December 2012 and 2013 and the interim report of the Company for the six months ended 30 June 2014:

|   | <b>For the year ended 31 December</b> |                             |                             | <b>For the six months<br/>ended 30 June</b> |                               |
|---|---------------------------------------|-----------------------------|-----------------------------|---|-------------------------------|
|   | <b>2011</b>                           | <b>2012</b>                 | <b>2013</b>                 | <b>2013</b>                                 | <b>2014</b>                   |
|   | <i>RMB'000</i><br>(audited)           | <i>RMB'000</i><br>(audited) | <i>RMB'000</i><br>(audited) | <i>RMB'000</i><br>(unaudited)               | <i>RMB'000</i><br>(unaudited) |
| Turnover  | 505,310                               | 105,703                     | 100,908                     | 47,528                                      | 47,067                        |
| Profit/(loss)<br>attributable to<br>equity shareholders<br>of the Company | 150,426                               | 31,041                      | 6,290                       | 2,103                                       | (33,908)                      |

|                     | <b>As at 31 December</b>    |                             |                             | <b>As at<br/>30 June</b>      |
|---------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
|                     | <b>2011</b>                 | <b>2012</b>                 | <b>2013</b>                 | <b>2014</b>                   |
|                     | <i>RMB'000</i><br>(audited) | <i>RMB'000</i><br>(audited) | <i>RMB'000</i><br>(audited) | <i>RMB'000</i><br>(unaudited) |
| Non-current assets  | 168,732                     | 220,294                     | 251,666                     | 205,909                       |
| Current assets      | 569,093                     | 648,135                     | 660,218                     | 677,249                       |
| Current liabilities | 321,113                     | 504,671                     | 531,381                     | 560,062                       |
| Net current assets  | 247,980                     | 143,464                     | 128,837                     | 117,187                       |
| Net assets          | 190,058                     | 320,787                     | 330,137                     | 297,279                       |

For the year ended 31 December 2012, the turnover of the Group decreased from approximately RMB505.3 million in prior year to approximately RMB105.7 million, representing a drop of approximately 79.08% which was mainly attributable to (i) the delay in some of the construction projects of the Company; (ii) the decrease in saleable properties compared with prior year; and (iii) the purchase desire in the Lvshun district where the properties of the Group were located was reduced to certain extent in view of the relatively long distance between the North Station of Dalian, which is the main station for the high-speed line between Harbin and Dalian, and Lvshun District. For the year ended 31 December 2013, the turnover of the Group further decreased from approximately RMB105.7 million in prior year to approximately RMB100.9 million, representing a drop of approximately 4.54% which was mainly attributable to (i) the control policies regarding property market implemented by the PRC government; and (ii)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the adjustment of the Group's sales strategy to adjust the pace of sales promotion in 2013. For the six months ended 30 June 2014, the turnover of the Group remained relatively stable as compared to that for the six months ended 30 June 2013.

For the three years ended 31 December 2011, 2012 and 2013, the profit attributable to equity Shareholders of the Company was in a decreasing trend which was generally in line with the drop in turnover. For the six months ended 30 June 2014, the Group recorded loss attributable to equity Shareholders of the Company of approximately RMB33.9 million, which was primarily due to write-down of completed properties held for sale of RMB18.5 million as well as the decrease in fair value of investment property caused by the downturn of property market in Lvshunkou, Dalian, the PRC.

The net assets of the Group as at 30 June 2014 was approximately RMB297.2 million, representing a decrease of approximately 9.95% compared with that as at 31 December 2013.

### *2.2 Unaudited pro forma financial information of the Remaining Group*

According to the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to the Document, assuming the Asset Reorganisation and the Distribution In Specie had taken place on 1 January 2014, the Remaining Group would record a pro forma net profit of approximately RMB6.02 million, as compared to a net loss of approximately RMB33.91 million of the Group for the six months ended 30 June 2014 as set out in Appendix II to the Document, which was mainly due to pro forma adjustments by excluding the income and expenses attributable to the Distributed Business.

According to the unaudited pro forma financial information of the Remaining Group as at 30 June 2014 as set out in Appendix III to the Document, assuming the Asset Reorganisation and the Distribution in Specie had taken place on 30 June 2014, the pro forma total assets of the Remaining Group, mainly comprising cash and cash equivalents of approximately RMB63.80 million, trade and other receivables, deposits and prepayments of approximately RMB43.60 million, inventories of approximately RMB20.16 million and property, plant and equipment of approximately RMB12.63 million, would be approximately RMB146.76 million which represented a decrease of approximately RMB736.40 million from the Group's total assets, mainly comprising completed properties held for sale of approximately RMB322.70 million, investment properties of approximately RMB182.50 million, properties under development of approximately RMB164.31 million, trade and other receivables, deposits and prepayments of approximately RMB80.77 million and cash and cash equivalents of approximately RMB64.15 million, of approximately RMB883.16 million as at 30 June 2014.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The pro forma total liabilities of the Remaining Group, mainly comprising of bank loans of approximately RMB53.00 million, receipts in advance of approximately RMB17.91 million and trade and other payables of approximately RMB15.30 million, would be approximately RMB93.29 million, which represented a decrease of a approximately RMB466.77 million from the Group's total liabilities, mainly comprising trade and other payables of approximately RMB307.75 million, bank loans of approximately RMB119.12 million and current taxation of approximately RMB114.32 million, of approximately RMB585.88 million as at 30 June 2014. The pro forma net current assets of the Remaining Group as at 30 June 2014 would be approximately RMB34.43 million, which represented a decrease of approximately RMB82.76 million from the Group's net current assets of approximately RMB117.19 million as at 30 June 2014. The pro forma net assets of the Remaining Group would be approximately RMB53.47 million, which represented a decrease of approximately RMB243.81 million from the Group's net assets of approximately RMB297.28 million as at 30 June 2014.

### *2.3 Prospect of the Remaining Group*

As stated in the paragraphs headed "Information of Longevity" and "Intention of Longevity regarding the Group" set out in the "Letter from CICCHKS" to this Document, Longevity intends to continue to operate the existing businesses of the Group with the financial and technical support from Mr. Wei and his controlled companies, in particular, Longjitaihe. Leveraged on the background, experiences, resources and network of Mr. Wei and Longjitaihe, Longevity is confident that the Group will be able to identify more business opportunities and potential to further develop its businesses and expand its income base. As at the Latest Practicable Date, Longevity had (i) no plan to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets; and (ii) no plan and had not engaged in any discussion or negotiation on any injection of any assets or businesses into the Group.

According to the interim report of the Company for the six months ended 30 June 2014 and as advised by the management of the Company, the construction and engineering services of the Remaining Group engaged mainly in the works under the agreement in relation to earthwork backfilling, road building and erection, drainage, rubble retaining wall, etc works in relation to the fire road at the upper hill located in Shimenshan, Beihai, Dalian, the PRC as detailed in the Company's announcement dated 10 June 2014 and new agreements in connection with municipal deputy projects which are infrastructure projects related, while the revenue from manufacture, processing and sales of doors and windows in the PRC was mainly generated from supplying to property projects in the PRC.

According to the information on the website of Dalian statistics Bureau, the total fixed asset investment (including infrastructure projects) growth rate in Dalian continued to fall in the third quarter of 2014 due to the slowdown in the real estate industry development brought about by the continuous macroeconomic downward pressure in the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRC. Due to the lack of new projects and the slow progress of existing projects in Dalian, fixed asset investment growth rate continued to fall in the third quarter of 2014. For the first three quarters in 2014, Dalian's investment in fixed assets (including infrastructure projects) amounting to approximately RMB549.5 billion, which has been increased by approximately 4.2% as compared to that of the same period in 2013 but was down by 13% as compared to that of January and February 2014. Given that there are uncertainties in the infrastructure development in Dalian and the project base nature of the infrastructure industry, it is uncertain as to whether the Remaining Group will be able to obtain new infrastructure projects in the future.

According to the report "China Economic Update" issued by The World bank in June 2014, China's economic growth is gradually slowing as the structural transformation of the economy continues. The GDP growth in 2013 was approximately 7.7%, which slightly exceeded the government indicative target of 7.5%, however the growth rates have been significantly below the levels over the past decade as drivers of economic growth continued to shift from manufacturing to services on the supply side, and from investment to consumption on the demand side, and as measures to rein in the rapid accumulation of credit came into force. In addition, up to the third quarter of 2014, the GDP growth of China was approximately 7.3% announced by National Bureau of Statistics of China ("NBS China") on 21 October 2014, slumping to a five year low and risks missing its government's target for the first time in 15 years, adding to the concerns the world's second-largest economy is becoming a drag on global growth. The slowdown was mainly driven by lower investment in fixed assets particularly in real estate development. According to press release issued by NBS China on 21 October 2014, the total investment in real estate was approximately 1.6% lower than that in the first half of 2014. In addition, the total sales of commercial buildings were RMB4,922.7 billion, down by approximately 8.9%. Specifically, the sales of residential buildings were down by approximately 10.8%. The land space purchased for real estate development was approximately 240.14 million square meters, down by approximately 4.6%. The weakening property market continued to weigh on broader activity in the third quarter of 2014, the revenue from property sales and constructions projects continue to tumble in the first nine months of 2014. Given that the house prices continues to decline and it spreads across numbers of cities and the new constructions projects continue to tumble, the China government has cut the mortgage rates in September 2014 for some home buyers for the first time since the global financial crisis.

Given that the circumstances in the wider economic and regulatory environment in the PRC are ever changing, and the revenue of the Remaining Business generated from supplying to the property market or infrastructure related projects are project based, it is uncertain if the Group can continuously obtain new projects, and the prospect of the Remaining Group is uncertain.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**3. Principal terms of the Share Offer and the Option Offer**

CICCHKS is making, on behalf of Longevity and pursuant to the Takeovers Code, the Offers to acquire all the issued Shares (other than those already owned or agreed to be acquired by Longevity and parties acting in concert with it).

**for each Offer Share held . . . . .HK\$0.8568 in cash**

**for cancellation of each Option held. . . . .HK\$0.1368 in cash**

(a) *The Share Offer*

The Share Offer price of HK\$0.8568 per Offer Share, which is equal to the price paid by Longevity for each of the Sale Shares under the Share Sale Agreement, represents:

- a discount of approximately 67.7 % to the closing price of HK\$2.65 per Share as quoted on the Stock exchange on the Latest Practicable Date;
- a discount of approximately 41.32% to the closing price of HK\$1.460 per Offer Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 35.29% to, and a discount of approximately 36.44% to, the average of the closing prices of approximately HK\$1.324 and HK\$1.348 per Share, respectively as quoted on the Stock Exchange for the 5 and 30 consecutive trading days up to and including the Last Trading Day;
- a discount of approximately 36.90% to the average of the closing prices of approximately HK\$1.358 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 37.75% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.622 per Share as at 30 June 2014 based on the interim report of the Company for the six months ended 30 June 2014; and
- a premium of approximately 678.9% over the unaudited pro forma net assets value of the Remaining Group of approximately HK\$0.11 per Share as at 30 June 2014 based on the unaudited pro forma financial information of the Remaining Group set out in the Appendix III contained in this Document.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *The Option Offer*

As at the Latest Practicable Date, there are 11,140,000 outstanding Options conferring the rights to the Optionholders to subscribe for an aggregate of 11,140,000 new Shares at HK\$0.72 per Share. According to the Pre-IPO Option Scheme, all the 11,140,000 outstanding Options are immediately exercisable upon the Share Offer becoming or being declared unconditional.

We have adopted the “see-through” price approach in the evaluation of the terms of the Option Offer. The “see-through” price refers to the difference between the offer price for each share subject to a general offer less any given exercise price of the option, and will be the minimum reasonable offer price for any option under a general offer. Under the Option Offer, Longevity is making an offer to the Optionholders to cancel each existing Option in exchange for cash being an amount equal to HK\$0.1368 per Option, which is the difference between the Share Offer Price of HK\$0.8568 and the exercise price of the Option of HK\$0.72.

On this basis, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned.

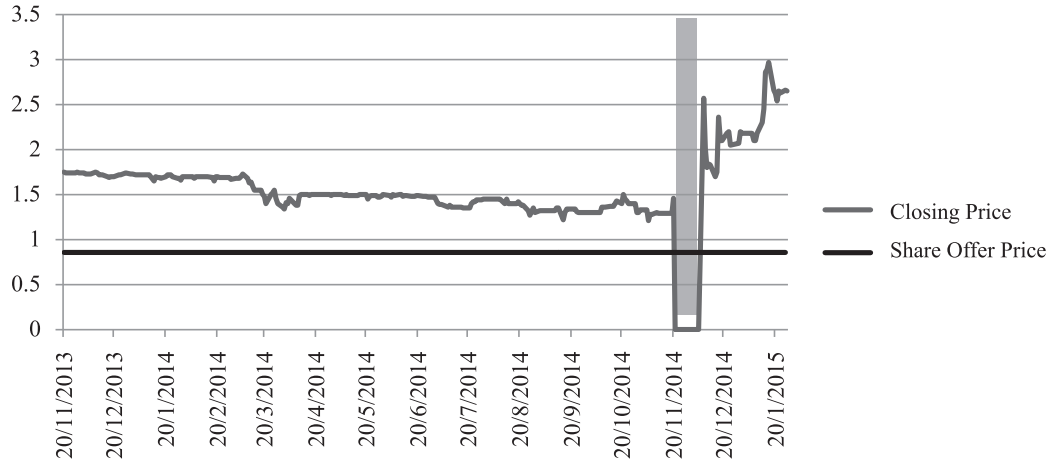
Further information of the Offers, the making of the Offers to the Independent Shareholders and the Optionholders residing in overseas countries, taxation, acceptance and settlement procedures of the Offers, are set out in the letter headed “Letter from CICCHKS” and the Appendix I contained in the Document.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Historical performance of the Shares

#### (a) Share price

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 20 November 2013 (being the first trading day of the 12-month period ending on the Last Trading Day) up to and including the Latest Practicable Date (the “Review Period”).



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in the chart above, during the Review Period, the highest closing price of the Shares was HK\$2.97 on 16 January 2015, while the lowest closing price of the Shares was HK\$1.21 on 5 November 2014. The average closing price during the Review Period was approximately HK\$1.60. The Shares were traded during the Review Period above the Share Offer Price. The Share Offer Price respectively represents a discount of approximately 71.2% and 29.2% to the highest closing price and the lowest closing price of the Shares during the Review Period. The Share Offer Price represents a discount of approximately 46.5% to such average closing price during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the period from 20 November 2013 to 20 November 2014, being the Last Trading Date, the price of Shares fluctuated within a range from HK\$1.21 to HK\$1.75. The trading of the Shares was suspended from 20 November 2014 to 5 December 2014 at the request of the Company pending the release of the joint announcement in relation to, among others, the Asset Reorganisation, Distribution In Specie, Offers and the KSH Offer (as defined in the circular of the Company dated 24 December 2014) (the “**Joint Announcement**”). During the period from 8 December 2014, being the first trade day subsequent to the publication of the Joint Announcement, to the Latest Practicable Date, the closing price of the Share was ranged from HK\$1.70 to HK\$2.97. Save for the Joint Announcement, the Directors confirmed that they were not aware of the reasons for the increase in price and transaction volume of the Shares.

Save for the Joint Announcement, the Company did not issue any other announcement which is price-sensitive in nature after the Last Trading Date up to the Latest Practicable Date, and we are of the view that the surge in the Share price subsequent to the publication of the Joint Announcement may likely be driven by the market speculation on the possible sale and purchase of Shares in the Company. Given that the recent surge in the Share price subsequent to the publication of the Joint Announcement is likely driven by market speculation rather than fundamentals of the Company and that the trading volume of the Shares has been extremely low as discussed in the paragraphs under the section headed “(b) Liquidity” below, the market price of the Shares may not be an appropriate indicator of the valuation of the Shares, in particular the realizable value one could get by selling the Shares in the open market.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Liquidity*

The following tables sets out the trading volume of the Shares during the Review Period:

| Month  | Total trading<br>volume<br><i>(no. of Shares)</i> | No. of<br>trading days | Average daily<br>trading<br>volume<br><i>(no. of Shares)</i> | Percentage of<br>average daily<br>trading volume<br>to no. of<br>outstanding<br>Shares<br><i>(Approximate %)</i><br><i>(Note 1)</i> | Percentage of<br>average daily<br>trading volume<br>to no. of Shares<br>held by the<br>public<br><i>(Approximate %)</i><br><i>(Note 2)</i> |
|--|---|------------------------|--|---|--|
| Nov-13<br>(From 20<br>November 2013                    | 32,000  | 8                      | 4,000  | Negligible  | Negligible   |
| Dec-13   | 296,000   | 20                     | 14,800   | Negligible  | 0.01%  |
| Jan-14   | 320,000   | 21                     | 15,238   | Negligible  | 0.01%  |
| Feb-14   | 220,000   | 19                     | 11,579   | Negligible  | 0.01%  |
| Mar-14   | 760,000   | 21                     | 36,190   | 0.01%   | 0.02%  |
| Apr-14   | 460,000   | 20                     | 23,000   | Negligible  | 0.02%  |
| May-14   | 228,000   | 20                     | 11,400   | Negligible  | 0.01%  |
| Jun-14   | 124,000   | 20                     | 6,200  | Negligible  | Negligible   |
| Jul-14   | 3,108,000   | 22                     | 141,273  | 0.02%   | 0.09%  |
| Aug-14   | 152,000   | 21                     | 7,238  | Negligible  | Negligible   |
| Sep-14   | 216,000   | 21                     | 10,286   | Negligible  | 0.01%  |
| Oct-14   | 704,000   | 21                     | 33,524   | 0.01%   | 0.02%  |
| Nov-14   | 220,000   | 14                     | 15,714   | Negligible  | 0.01%  |
| Dec-14   | 4,919,000   | 16                     | 307,438  | 0.05%   | 0.20%  |
| Jan-15<br>(Up to the<br>Latest<br>Practicable<br>Date) | 21,272,000  | 18                     | 1,181,778  | 0.20%   | 0.79%  |

*Source: The website of the Stock Exchange (www.hkex.com.hk)*

*Notes:*

- (1) Based on the 602,000,000 Shares in issue as at the Latest Practicable Date.
- (2) Based on the 150,500,000 Shares held by the public as at the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, during the Review Period save for the period after the Last Trading Day, we noted that the average daily trading volume of Shares as a percentage of the average total number of issued Shares ranged from negligible to approximately 0.02% while the average daily trading volume of Shares as a percentage of the average total number of the Shares held by the public ranged from negligible to approximately 0.09%. Based on the above, the trading volume accounted for less than 0.02% of the total number of the Shares in issue and for less than 0.09% of the Shares held by the public in all months during the Review Period except for the recent increase in the daily turnover for the dates following the publication of the Joint Announcement.

Given the consistently low liquidity, it may be difficult for the Independent Shareholders to dispose of a large number of the Shares in the open market without exerting a downward pressure on the price of the Shares. As such, we are of the view that the Offers provides an alternative exit to the Independent Shareholders and Optionholders to realise their investment in the Shares.

### **5. Comparison of the Share Offer Price**

To further assess the fairness and reasonableness of the Share Offer Price, we have attempted to adopt the price-to-earning multiple (“P/E Ratio”) and the price-to-book multiple (“P/B Ratio”) analysis. According to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Document, it is noted that the unaudited pro forma net assets value and net profit of the Remaining Group as at 30 June 2014 was approximately RMB53.5 million and RMB6.0 million respectively, and the Remaining Group will engage in the businesses consisting of construction and engineering services and manufacture, processing and sales of doors and windows in the PRC. The market capitalisation and the P/E Ratio of the Remaining Group as implied by the Offers is approximately HK\$515.8 million and 43.0 times respectively, and the annualised unaudited pro forma net profit of the Remaining Group is approximately RMB12.0 million. As such, we have conducted researches from the public domain in order to identify companies which (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in the business related to Remaining Business (accounted for more than 50% of their turnovers for their respective latest financial year); and (iii) had a market capitalisation of less than HK\$1 billion as at the Latest Practicable Date, which is considered to be comparable to the market capitalisation of the Remaining Group of approximately HK\$515.8 million as implied by the Offer Price, to the best of our effort, we are unable to identify samples which fall within the aforementioned scope for any meaningful and comprehensive comparison.

Nevertheless, having considered (i) the Share Offer Price represents a premium of approximately 678.9% over the unaudited pro forma net assets value of the Remaining Group of approximately HK\$0.11 per Share as at 30 June 2014; (ii) the future performance of the Remaining Group could be volatile and therefore the outlook and prospect of the Remaining Group is uncertain as discussed above; and (iii) the overall liquidity of the Shares was relatively low during the Review Period, and the Share Offer provides an alternative exit to

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Independent Shareholders to realise their investment in the Company at the Share Offer Price without exerting a downward pressure on the price of the Shares when disposing of a large number of Shares in the open market, we are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

### **6. Background and intention of Longevity**

As at the Latest Practicable Date, Longevity is an investment holding company incorporated in BVI with limited liability and is wholly owned by Mr. Wei. As at the Latest Practicable Date, save for entering into the Share Sale Agreement, (i) Longevity has not engaged in any substantial business activities; and (ii) the directors of Longevity are Mr. Wei and Ms. Zhen Xiaojing.

Mr. Wei, aged 51, is the founder, the controlling shareholder and the chairman of Longevity. The three core businesses of Longevity are residential and commercial property development, specialized wholesale market development and operation, and new energy. Mr. Wei was a Member of the 12th National People's Congress, a Member of the 9th and 10th Hebei Province Committee of the Chinese People's Political Consultative Conference (CPPCC), a National Model Worker, and the vice chairman of the Hebei Province Federation of Industry & Commerce. Mr. Wei has also been awarded the honorary titles such as the "China Honesty Entrepreneur", the "Person Award for Outstanding Contributions to 30 Years of Reform and Opening-up of China in the Commerce Industry" and the "Hebei Province Outstanding Private Entrepreneur".

As stated above, Mr. Wei possesses experience in residential and commercial property development, specialized wholesale market development and operation, and new energy as set out above, and we are of the view that Mr. Wei has sufficient experience in managing the Company.

Longevity intends to continue the Remaining Businesses. In addition to the Remaining Businesses, Longevity will conduct a detailed review of the operations of the Remaining Group with a view to establishing a suitable business strategy to enhance the growth of its business and asset base as well as to broaden its income stream, which may include investment in and/or acquisition of assets or business from other parties (including but not limited to Longevity (or its associate(s)) when suitable investment opportunities arise). Such investment or acquisition (if any) will be made in compliance with the Listing Rules. However, up to the Latest Practicable Date, Longevity had no plan and had not engaged in any discussion or negotiation on any injection of any assets or businesses into the Remaining Group and had no intention to introduce any significant changes in the business of the Remaining Group, including any acquisitions, disposals and/or redeployment of assets and businesses of the Remaining Group, other than in its ordinary course of business.

As at the Latest Practicable Date, the Board was made up of seven Directors, comprising four executive Directors and three independent non-executive Directors. All the existing Directors have tendered their resignations as Directors with effect on the Closing Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Longevity intends to nominate new Directors to the Board prior to or after the date of the despatch of this Document. Longevity is in the process of identifying suitable candidates for the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement will be made upon any change in the composition of the Board. Save as disclosed in this paragraph, Longevity does not intend to undergo changes with regard to employment matters of the Group, other than in its ordinary course of business, after the close of the Offers.

Longevity intends to maintain the listing status of the Company. The directors of Longevity and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares upon the close of the Offers.

### DISCUSSION AND ANALYSIS

The Offers represents one of the steps in the transactions which involve, among other things, (i) splitting the Company into two parts, the KSH Group (*as defined in the circular of the Company dated 24 December 2014*) and the Remaining Group; (ii) the distribution of the KSH Shares to the Shareholders; and (iii) the Offers and the KSH Offer (*as defined in the circular of the Company dated 24 December 2014*). The controlling interest in the Remaining Group has been sold to Longevity at a premium to the net asset value of the Company as at 30 June 2014 for HK\$386,331,120, representing HK\$0.8568 per Sale Shares. The Offers, which is made at the same price per Share as that agreed under the Share Sale Agreement, allows Independent Shareholders to enjoy their share of such premium.

We consider the terms of the Offers, including the Share Offer Price of HK\$0.8568 per Shares, are fair and reasonable so far as the Independent Shareholders are concerned after taking into account of the above principal factors and reasons, in particular:

- (a) the future performance of the Remaining Group could be volatile and therefore the outlook and prospect of the Remaining Group is uncertain as discussed in paragraph headed “2.3 Prospect of the Remaining Group” above;
- (b) the Share Offer Price represents a premium of approximately 678.9% over the unaudited pro forma net assets value of the Remaining Group of approximately HK\$0.11 per Share as at 30 June 2014;
- (c) the P/E Ratio of the Remaining Group as implied by the Offers were approximately 43.0 times and the annualised unaudited pro forma net profit of the Remaining Group of approximately RMB12.0 million;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the overall low liquidity of the Shares during the Review Period, which may be difficult for the Shareholders to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares and the Share Offer provides an alternative exit to the Independent Shareholders to realise their investment in the Shares; and
- (e) the Option Offer is calculated by deducting the exercise price per Share payable on exercise of an Option from the Share Offer Price per Offer Share.

However, it should be noted that during the Review Period, the Shares have been trading at a premium to the Shares Offer Price. As such, it is advisable for the Independent Shareholders to consider selling their Shares in the open market if the sale proceeds, net of transaction costs, exceed the amount under the Share Offer.

### RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Share Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to accept the Share Offer.

However, the Share have been trading at a premium to the Share Offer Price during the Review Period. Consequently, if the sales proceeds (net of transaction costs) from disposal of the Shares in the open market exceed the net amount receivable under the Share Offer, the Independent Shareholders should sell their Shares in the open market, rather than accepting the Share Offer. Independent Shareholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Shares in the market without exerting downward pressure on the price of the Shares.

Independent Shareholders are advised that their decision to realise or to hold their investment in the Shares depends on their own circumstances and investment objectives. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable throughout the offer period of the Share Offer or afterwards.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, the Option Offer has adopted the “see-through” price approach, which each existing Option would be cancelled in exchange for cash being an amount equal to HK\$0.1368 per Option, which is the difference between the Share Offer Price of HK\$0.8568 and the exercise price of the Option of HK\$0.72.

On this basis, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to accept the Option Offer.

Yours faithfully,  
For and on behalf of  
**Quam Capital Limited**  
**Gary Mui**  
*Deputy Chief Executive Officer*

*Note: Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Quam Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 15 years of experience in the finance and investment banking industry.*

## 1. ACCEPTANCE OF THE OFFERS

### 1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with "**Kai Shi China Holdings Company Limited — Share Offer**" marked on the envelope.
- (c) If the Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Offer Shares, you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and request it to deliver the completed and signed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Offer Shares to be registered in your name by the Company through the Registrar, and send the completed and signed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should

check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one (1) Business Day before the last date on which acceptances of the Share Offer must be received by the Registrar).
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are not readily available and/or is/are lost as the case may be and you wish to accept the Share Offer, the Form of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share Certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Offer Shares, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to CICCHKs and/or Longevity or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar, and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.

- (f) Unless otherwise decided by Longevity, acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance and Transfer is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as Longevity may determine in accordance with the requirements of the Takeovers Code and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Offer Shares; or
  - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance and Transfer is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (g) No acknowledgement of receipt of any Form of Acceptance and Transfer, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 1.2 The Option Offer

- (a) If you accept the Option Offer, you should complete and sign the accompanying Form of Cancellation in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.
- (b) The completed and signed Form of Cancellation should be forwarded, together with the relevant certificate(s) of the relevant Options stating the number of Options in respect of the Options granted which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at Kai Shi China Holdings Company, Office E, 10th Floor China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong, with “**Kai Shi China Holdings Company Limited — Option Offer**” marked on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address no later than 4:00 p.m. on the Closing Date (or such later time and/or date as Longevity may determine and announce in accordance with the Takeovers Code).

- (c) No stamp duty will be deducted from the amount paid to the Optionholders who accept the Option Offer.
- (d) No acknowledgement of receipt of any Form of Cancellation and/or certificate(s) of the Options will be given.

### **1.3 General**

Subject to the terms of the Takeovers Code, acceptance(s) of the Offers may, at the discretion of Longevity, be treated as valid even if not entirely in order or not accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), but, in such cases, the consideration due will not be despatched until the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) has/have been received by the Registrar. However, subject to the Executive's consent, such acceptances will not be counted as valid acceptances of the Offers unless Rule 30.2 of the Takeovers Code has been fully complied with.

## **2. SETTLEMENT OF THE OFFERS**

### **2.1 The Share Offer**

Provided that a valid Form of Acceptance and Transfer and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time and/or date as Longevity may determine and announce in accordance with the Takeovers Code), a cheque for the amount due to each Shareholder less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to the Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the receipt of the completed Form of Acceptance and Transfer and all the relevant documents by the Registrar from the Shareholder accepting the Share Offer.

### **2.2 The Option Offer**

Provided that a valid Form of Cancellation and the relevant certificate(s) of the Options are complete and in good order in all respects and have been received by the company secretary of the Company no later than 4:00 p.m. on the Closing Date (or such later time and/or date as Longevity may determine and announce in accordance with the Takeovers Code), a cheque for the amount due to each Optionholder in respect of the Options surrendered by him/her under the Option Offer will be despatched to the Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the receipt of the duly completed Form of Cancellation and all relevant documents by the company secretary of the Company from the Optionholder accepting the Option Offer.

### 2.3 Consideration

Settlement of the consideration to which any Shareholder or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save in respect of the payment of seller's ad valorem stamp duty) without regard to any lien, right of setoff, counterclaim or other analogous right to which Longevity may otherwise be, or claim to be, entitled against such Shareholder or Optionholder, as the case may be.

### 3. ACCEPTANCE PERIOD AND REVISIONS

Longevity has the right, subject to the Takeovers Code, to extend the Offers after the despatch of this Document or to revise the terms of the Offers. Any decision to extend the latest time and/or date for acceptances may be made at any time up to, and will be announced no later than, the time on the relevant date stipulated in the section headed "Announcements" in this Appendix, or any such later time and date as the Executive may agree. Unless the Offers have previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by the Registrar or the Company by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon. If the Offers are extended or revised, an announcement of such extension or revision will be published which will state either the next closing date or that the Offers will remain open until further notice. In the latter case, all the Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date. The acceptance by or on behalf of a Shareholder of the Share Offer or an Optionholder of the Option Offer in its original and/or any previously revised form shall be treated as an acceptance of the relevant Offer(s) as so revised. Any acceptance of the relevant revised Offer(s) and/or any election pursuant thereto shall be irrevocable unless and until the accepting Shareholder/Optionholder becomes entitled to withdraw his/her/its acceptance under the paragraph headed "Right of Withdrawal" below and duly does so.

### 4. ANNOUNCEMENTS

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. (or such later time and/or date as the Executive may in exceptional circumstance permit) on the Closing Date, Longevity must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. Longevity must publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Offers have been revised, extended or has expired.

The announcement must state the total number of Shares, rights over Shares and Options:

- (i) for which acceptances of the Offers have been received;

- (ii) held, controlled or directed by Longevity and parties acting in concert with it before 5 December 2014 (being the commencement date of the offer period (as defined under the Takeovers Code) for the Offers); and
- (iii) acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) for the Offers by Longevity and parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which Longevity or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued Shares and the percentages of voting rights of the Company represented by these numbers of Shares. If Longevity is unable to comply with any requirements of Rule 19 of the Takeovers Code, the Executive may require that Shareholders and Optionholders who have tendered their Forms of Acceptance to accept the Offers be granted a right of withdrawal on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met.

- (b) In computing the total number of Shares and Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer), respectively no later than 4:00 p.m. on the Closing Date (being the latest time and date for acceptance of the Offers) shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.kaishichina.com](http://www.kaishichina.com)).

## 5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offers tendered by the Shareholders and/or the Optionholders or by their agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If Longevity is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Shareholders/Optionholders who have tendered acceptances of the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

## 6. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

The making of the Offers or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders and Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Offers to satisfy themselves as to the full observance of all applicable legal and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental exchange control or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by such persons will be deemed to constitute a representation and warranty from such person to Longevity that he/she/it is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and that, such acceptance shall be valid and binding in accordance with applicable laws. Shareholders and Optionholders should consult their professional adviser if in doubt.

## 7. GENERAL

- (a) Each Shareholder and Optionholder by whom, or on whose behalf, a Form of Acceptance is executed, irrevocably undertakes, represents, warrants and agrees to and with Longevity and CICCHKS, so as to bind him, her or it, their personal representatives, heirs, successors and assigns, to the following effect:
  - (i) that the execution of the relevant Form of Acceptance whether or not any boxes are completed shall constitute:
    - (A) an acceptance of the Share Offer or Option Offer in respect of the number of Shares or Options inserted or deemed to be inserted in the relevant Forms of Acceptance on and subject to the terms set out or referred to in this Document and in such Forms of Acceptance and that, subject only to the right of withdrawal set out or referred to in this Appendix, each such acceptance shall be irrevocable; and
    - (B) an undertaking to execute any further documents, take any further actions and give any further assurances which may be required in connection with the foregoing including, without limitation, to secure the transfer of the Shares in respect of which he, she or it has accepted or is deemed to have accepted the Offers to Longevity and the benefit of all dividends and distributions paid, made or declared on or after the close of the Offers;

- (ii) the Shares acquired under the Share Offer and the Options tendered under the Option Offer are sold or tendered by such person or persons free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of this Document or subsequently attaching to them, including in respect of the Shares, the right to receive in full all dividends and other distributions, if any, declared, paid or made on the Shares on or after the date of this Document;
- (iii) that such Shareholder or Optionholder will deliver or procure the delivery to the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offer) of his or her relevant Share or Option certificate(s) (if any) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof (as applicable);
- (iv) that the execution and delivery of the relevant Forms of Acceptance to the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offer) constitutes a separate and irrevocable authority and request to Longevity and/or CICCHKS to procure the despatch by post of a cheque in respect of any cash payment in connection with the Offers, at the risk of such Shareholder or Optionholder, to the person or agent whose name and address is set out in the relevant Forms of Acceptance or, if none is set out, to the first-named or the sole registered holder of the relevant Shares or Options at his or her registered address;
- (v) that the terms and conditions of the Offers contained in this Document shall be incorporated in and form part of the relevant Forms of Acceptance, which shall be read and construed accordingly;
- (vi) that in relation to the Offers, he, she or it will do all such acts and things as shall be necessary or expedient to vest in Longevity, or its nominees or such other person as Longevity may decide, the Shares and/or Options to which such acceptance relates;
- (vii) acceptance to the Offers by any nominee will be deemed to constitute a warranty by such nominee to Longevity that the number of Shares in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Offers;
- (viii) that the Offers and all acceptances thereof, the Forms of Acceptance and all contracts made pursuant to the Offers, and all actions taken or made or deemed to be taken or made pursuant to these terms, are governed by and shall be construed in accordance with the laws of Hong Kong. Execution of the relevant Forms of Acceptance by or on behalf of the relevant Shareholder or Optionholder will constitute a submission by such Shareholder or Optionholder in relation to all matters arising out of the Offers and the relevant Forms of Acceptance to the

jurisdiction of the courts of Hong Kong and the agreement of such Shareholder or Optionholder that nothing shall limit the right of Longevity or CICCHKS to bring an action, suit or proceeding arising out of or in connection with the creation, validity, effect, interpretation or performance of the legal relations established in relation to the Offers and the Forms of Acceptance in any other manner permitted by law or in any court of competent jurisdiction;

- (ix) that in relation to any acceptance of the Share Offer in respect of a holding of Shares which is in uncertificated form, Longevity and CICCHKS reserve the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Share Offer whether in order to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of Rule 30.2 of the Takeovers Code or are otherwise made with the consent of the Executive;
  - (x) that due execution of the relevant Forms of Acceptance in respect of the Offers will constitute an irrevocable instruction and authority to Longevity and CICCHKS, any director of Longevity and any director of CICCHKS or their respective agents to complete, amend and execute, on behalf of the Shareholders and the Optionholders who accept the Offers, the Forms of Acceptance and any document and, in relation to the Offers, to do any other act that may be necessary or expedient for the purpose of vesting in Longevity, or such person or persons as Longevity shall direct, the Shares or for the cancellation of the Option(s) which are the subject of such acceptance;
  - (xi) that in making their decision in respect of the Offers, Shareholders and Optionholders will rely on their own examination of Longevity, the Company, and that the terms of the Offers, including the merits and risks involved, and that the contents of this Document, including any general advice or recommendation contained herein, together with the Forms of Acceptance will not be construed as any legal or business advice and that Shareholders and Optionholders should consult their own professional advisers for professional advice; and
  - (xii) that the terms, provisions, instructions and authorities contained in or deemed to be contained in the Forms of Acceptance constitute part of the terms of the Offers. The provisions of this Appendix shall be deemed to be incorporated into the Forms of Acceptance.
- (b) All communications, notices, Forms of Acceptance, certificate(s) of Shares or certificate(s) of the Options, transfer receipt(s), other documents of title or indemnities and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of Longevity, parties acting in concert with it, CICCHKS, the Company, the Registrar nor any of their

respective directors or other parties involved in the Offers or any of their respective agents shall accept any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (c) Notwithstanding any other provision in this Document or the Forms of Acceptance and subject to the provisions of the Takeovers Code, Longevity and CICCHKS reserve the right to treat acceptances as valid if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set out in this Document or in the Forms of Acceptance, provided however that, subject to the Executive's consent, such acceptances will not be counted as valid acceptances of the Offers unless Rule 30.2 of the Takeovers Code has been fully complied with.
- (d) The accidental omission to despatch this Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (e) References to the Offers in this Document and in the Forms of Acceptance shall include any revision and/or extension thereof.
- (f) The English text of this Document and the Forms of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

|                    |  |
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| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
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### 1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the financial information of the Former Group for each of three years ended 31 December 2013 and for the six months ended 30 June 2014 as extracted from the accountants' report on the Former Group contained in Appendix II to the Circular.

|                                   | Year ended 31 December |                |                | Six months<br>ended<br>30 June |
|-----------------------------------|------------------------|----------------|----------------|--------------------------------|
|                                   | 2011                   | 2012           | 2013           | 2014                           |
|                                   | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>                 |
| Turnover                          | 505,310                | 105,703        | 100,908        | 47,067                         |
| Profit/(loss) before taxation     | 242,067                | 53,505         | 15,902         | (56,912)                       |
| Income tax                        | (91,641)               | (22,464)       | (9,612)        | 23,004                         |
| Profit/(loss) for the year/period | 150,426                | 31,041         | 6,290          | (33,908)                       |
| Attributable to:                  |                        |                |                |                                |
| Equity Shareholders               | 150,426                | 31,041         | 6,290          | (33,908)                       |
| Earnings/(loss) per Share         |                        |                |                |                                |
| — basic ( <i>RMB</i> )            | 0.334                  | 0.05           | 0.01           | (0.0563)                       |
| Earnings/(loss) per Share         |                        |                |                |                                |
| — diluted ( <i>RMB</i> )          | 0.334                  | 0.05           | 0.01           | (0.0563)                       |

- (i) No qualification was contained in the accountants' report issued by KPMG, the reporting accountants, in respect of the financial information of the Former Group for each of the three years ended 31 December 2013 and for the six months ended 30 June 2014.
- (ii) There were no extraordinary items or items which were exceptional because of its size, nature or incidence for the Former Group during each of the three years ended 31 December 2013 and for the six months ended 30 June 2014.
- (iii) During the year ended 31 December 2011, the Company had declared a special dividend of RMB25 million to its then sole shareholder Yi Ming Jia Lin. The dividend per Share for the year ended 31 December 2011 was RMB25 million, being the special dividend of RMB25 million divided by 1 Share as at 31 December 2011. No dividend was declared by the Company and each of the subsidiaries of the Former Group for the two years ended 31 December 2013 and for the six months ended 30 June 2014.

**APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP**

**2. FINANCIAL INFORMATION OF THE FORMER GROUP**

*The financial information of the Former Group contained in Appendix II to the Circular is extracted below. Capitalised terms used in this section shall have the same meanings as those defined in the accountants' report contained in Appendix II to the Circular.*

**A FINANCIAL INFORMATION**

**Consolidated statements of profit or loss**

*(Expressed in Renminbi)*

|  | Section B<br>Note | Years ended 31 December |                 |                 | Six months ended 30 June       |                 |
|--|-------------------|-------------------------|-----------------|-----------------|--------------------------------|-----------------|
|  |                   | 2011<br>RMB'000         | 2012<br>RMB'000 | 2013<br>RMB'000 | 2013<br>RMB'000<br>(unaudited) | 2014<br>RMB'000 |
| <b>Turnover</b>  | 4                 | 505,310                 | 105,703         | 100,908         | 47,528                         | 47,067          |
| Cost of sales  |                   | <u>(218,265)</u>        | <u>(52,040)</u> | <u>(63,889)</u> | <u>(32,166)</u>                | <u>(45,254)</u> |
| <b>Gross profit</b>  |                   | 287,045                 | 53,663          | 37,019          | 15,362                         | 1,813           |
| Selling and distribution expenses  |                   | <u>(17,359)</u>         | <u>(15,470)</u> | <u>(10,763)</u> | <u>(6,367)</u>                 | <u>(2,203)</u>  |
| Administrative expenses  |                   | <u>(26,265)</u>         | <u>(23,905)</u> | <u>(20,643)</u> | <u>(9,769)</u>                 | <u>(9,274)</u>  |
| <b>Profit/(loss) from operations before changes in fair value of investment properties</b>   |                   | 243,421                 | 14,288          | 5,613           | (774)                          | (9,664)         |
| Increase/(decrease) in fair value of investment properties                                   | 14(b)(ii)         | 340                     | 2,880           | 10,501          | 8,490                          | (44,300)        |
| Fair value gain upon transfer of completed properties held for sale to investment properties | 14(b)(ii)         | <u>—</u>                | <u>35,866</u>   | <u>2,835</u>    | <u>—</u>                       | <u>—</u>        |
| <b>Profit/(loss) from operations after changes in fair value of investment properties</b>    |                   | 243,761                 | 53,034          | 18,949          | 7,716                          | (53,964)        |
| Finance income   |                   | 710                     | 541             | 405             | 443                            | 22              |
| Finance costs  | 5(a)              | <u>(2,404)</u>          | <u>(70)</u>     | <u>(3,452)</u>  | <u>(495)</u>                   | <u>(2,970)</u>  |
| <b>Profit/(loss) before taxation</b>   | 5                 | 242,067                 | 53,505          | 15,902          | 7,664                          | (56,912)        |
| Income tax   | 6(a)              | <u>(91,641)</u>         | <u>(22,464)</u> | <u>(9,612)</u>  | <u>(5,561)</u>                 | <u>23,004</u>   |
| <b>Profit/(loss) for the year/period</b>   |                   | <u>150,426</u>          | <u>31,041</u>   | <u>6,290</u>    | <u>2,103</u>                   | <u>(33,908)</u> |
| <b>Attributable to:</b>  |                   |                         |                 |                 |                                |                 |
| Equity shareholders of the Company   |                   | <u>150,426</u>          | <u>31,041</u>   | <u>6,290</u>    | <u>2,103</u>                   | <u>(33,908)</u> |
| <b>Profit/(loss) for the year/period</b>   |                   | <u>150,426</u>          | <u>31,041</u>   | <u>6,290</u>    | <u>2,103</u>                   | <u>(33,908)</u> |
| <b>Earnings/(losses) per share</b>   | 11                |                         |                 |                 |                                |                 |
| Basic earnings/(losses) per share (RMB)  |                   | <u>0.334</u>            | <u>0.05</u>     | <u>0.01</u>     | <u>0.0035</u>                  | <u>(0.0563)</u> |
| Diluted earnings/(losses) per share (RMB)  |                   | <u>0.334</u>            | <u>0.05</u>     | <u>0.01</u>     | <u>0.0035</u>                  | <u>(0.0563)</u> |

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| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
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**Consolidated statements of profit or loss and other comprehensive income**

*(Expressed in Renminbi)*

| <i>Section B</i>  | <b>Years ended 31 December</b> |                |                | <b>Six months ended 30 June</b> |                |
|---|--------------------------------|----------------|----------------|---------------------------------|----------------|
|   | <b>2011</b>                    | <b>2012</b>    | <b>2013</b>    | <b>2013</b>                     | <b>2014</b>    |
| <i>Note</i>   | <i>RMB'000</i>                 | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>                  | <i>RMB'000</i> |
|   |                                |                |                | (unaudited)                     |                |
| <b>Profit/(loss) for the year/period</b>  | 150,426                        | 31,041         | 6,290          | 2,103                           | (33,908)       |
| <b>Other comprehensive income for the year/period (after tax and reclassification adjustments):</b> |                                |                |                |                                 |                |
| Item that will not be reclassified to profit or loss:   |                                |                |                |                                 |                |
| Surplus on revaluation upon transfer of property, plant and equipment to investment properties      | —                              | —              | 2,229          | 2,873                           | —              |
| Items that may be reclassified subsequently to profit or loss:                                      |                                |                |                |                                 |                |
| Exchange differences on translation of financial statements of overseas subsidiaries                | —                              | —              | (1,767)        | (1,720)                         | 522            |
| <b>Other comprehensive income for the year/period</b>   | <i>10</i> —                    | —              | 462            | 1,153                           | 522            |
| <b>Total comprehensive income for the year/period</b>   | 150,426                        | 31,041         | 6,752          | 3,256                           | (33,386)       |
| <b>Attributable to:</b>   |                                |                |                |                                 |                |
| Equity shareholders of the Company  | 150,426                        | 31,041         | 6,752          | 3,256                           | (33,386)       |
| <b>Total comprehensive income for the year/period</b>   | 150,426                        | 31,041         | 6,752          | 3,256                           | (33,386)       |

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| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
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**Consolidated statements of financial position**

*(Expressed in Renminbi)*

|  |                | As at 31 December     |                       |                       | As at<br>30 June      |
|--|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <i>Section B</i>   | <b>2011</b>    | <b>2012</b>           | <b>2013</b>           | <b>2014</b>           |                       |
| <i>Note</i>  | <i>RMB'000</i> | <i>RMB'000</i>        | <i>RMB'000</i>        | <i>RMB'000</i>        |                       |
| <b>Non-current assets</b>                                |                |                       |                       |                       |                       |
| Lease prepayments  | 12             | —                     | —                     | 6,485                 | 6,407                 |
| Property, plant and equipment                            | 13             | 10,882                | 10,564                | 18,381                | 17,002                |
| Investment properties                                    | 14             | <u>157,850</u>        | <u>209,730</u>        | <u>226,800</u>        | <u>182,500</u>        |
| <b>Total non-current assets</b>                          |                | <u><u>168,732</u></u> | <u><u>220,294</u></u> | <u><u>251,666</u></u> | <u><u>205,909</u></u> |
| <b>Current assets</b>                                    |                |                       |                       |                       |                       |
| Lease prepayments  | 12             | —                     | —                     | 154                   | 154                   |
| Properties under development                             | 16             | 172,033               | 329,310               | 160,915               | 164,311               |
| Completed properties held for sale                       | 17             | 206,280               | 160,388               | 345,276               | 322,696               |
| Inventories  | 18             | 9,594                 | 20,957                | 23,598                | 20,163                |
| Trade and other receivables, deposits<br>and prepayments | 19             | 39,592                | 24,183                | 66,171                | 80,773                |
| Deposit in an escrow account                             | 21             | 25,000                | 25,000                | —                     | —                     |
| Restricted cash  |                | 60                    | —                     | —                     | —                     |
| Cash and cash equivalents                                | 22             | 116,534               | 88,297                | 39,104                | 64,152                |
| Pledged deposit  | 23             | <u>—</u>              | <u>—</u>              | <u>25,000</u>         | <u>25,000</u>         |
| <b>Total current assets</b>                              |                | <u><u>569,093</u></u> | <u><u>648,135</u></u> | <u><u>660,218</u></u> | <u><u>677,249</u></u> |
| <b>Total assets</b>                                      |                | <u><u>737,825</u></u> | <u><u>868,429</u></u> | <u><u>911,884</u></u> | <u><u>883,158</u></u> |

|  | <i>Section B</i> | <b>As at 31 December</b> |                |                | <b>As at</b>   |
|--|------------------|--------------------------|----------------|----------------|----------------|
|  |                  | <i>Note</i>              | <b>2011</b>    | <b>2012</b>    | <b>2013</b>    |
|  |                  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Current liabilities</b>   |                  |                          |                |                |                |
| Bank loans   | 24               | —                        | 200,000        | 118,886        | 119,116        |
| Receipts in advance  | 25               | 11,490                   | 20,603         | 21,908         | 18,874         |
| Trade and other payables   | 26               | 153,382                  | 151,607        | 260,321        | 307,752        |
| Current taxation   | 29(a)            | <u>156,241</u>           | <u>132,461</u> | <u>130,266</u> | <u>114,320</u> |
| <b>Total current liabilities</b>                                       |                  | <u>321,113</u>           | <u>504,671</u> | <u>531,381</u> | <u>560,062</u> |
| <b>Net current assets</b>  |                  | <u>247,980</u>           | <u>143,464</u> | <u>128,837</u> | <u>117,187</u> |
| <b>Total assets less current liabilities</b>                           |                  | <u>416,712</u>           | <u>363,758</u> | <u>380,503</u> | <u>323,096</u> |
| <b>Non-current liabilities</b>   |                  |                          |                |                |                |
| Bank loans   | 24               | 200,000                  | —              | —              | —              |
| Deferred tax liabilities   | 29(b)            | <u>26,654</u>            | <u>42,971</u>  | <u>50,366</u>  | <u>25,817</u>  |
| <b>Total non-current liabilities</b>                                   |                  | <u>226,654</u>           | <u>42,971</u>  | <u>50,366</u>  | <u>25,817</u>  |
| <b>Net assets</b>  |                  | <u>190,058</u>           | <u>320,787</u> | <u>330,137</u> | <u>297,279</u> |
| <b>Equity</b>  |                  |                          |                |                |                |
| Share capital  | 30(b)            | —                        | 4,884          | 4,900          | 4,900          |
| Reserves   |                  | <u>190,058</u>           | <u>315,903</u> | <u>325,237</u> | <u>292,379</u> |
| <b>Total equity attributable to equity shareholders of the Company</b> |                  | <u>190,058</u>           | <u>320,787</u> | <u>330,137</u> | <u>297,279</u> |
| <b>Total equity</b>  |                  | <u>190,058</u>           | <u>320,787</u> | <u>330,137</u> | <u>297,279</u> |

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| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
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**Statements of financial position**

*(Expressed in Renminbi)*

|  |                | As at 31 December |                |                | As at<br>30 June |
|--|----------------|-------------------|----------------|----------------|------------------|
| <i>Section B</i>                             | <b>2011</b>    | <b>2012</b>       | <b>2013</b>    | <b>2014</b>    |                  |
| <i>Note</i>                                  | <i>RMB'000</i> | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |                  |
| <b>Non-current assets</b>                    |                |                   |                |                |                  |
| Investments in subsidiaries                  | 15             | —                 | —              | —              | 82,956           |
| <b>Total non-current assets</b>              |                | —                 | —              | —              | 82,956           |
| <b>Current assets</b>                        |                |                   |                |                |                  |
| Trade and other receivables                  | 19             | 26,540            | 111,433        | 132,543        | 48,619           |
| Cash and cash equivalents                    | 22             | —                 | 2,655          | 554            | 558              |
| <b>Total current assets</b>                  |                | 26,540            | 114,088        | 133,097        | 49,177           |
| <b>Total assets</b>                          |                | 26,540            | 114,088        | 133,097        | 132,133          |
| <b>Current liabilities</b>                   |                |                   |                |                |                  |
| Bank loans                                   | 24             | —                 | —              | 23,886         | 24,116           |
| Trade and other payables                     | 26             | 25,000            | 25,997         | 26,001         | 25,454           |
| <b>Total current liabilities</b>             |                | 25,000            | 25,997         | 49,887         | 49,570           |
| <b>Net current assets</b>                    |                | 1,540             | 88,091         | 83,210         | (393)            |
| <b>Total assets less current liabilities</b> |                | 1,540             | 88,091         | 83,210         | 82,563           |
| <b>Net assets</b>                            |                | 1,540             | 88,091         | 83,210         | 82,563           |
| <b>Equity</b>                                |                |                   |                |                |                  |
| Share capital                                | 30(a)          | —                 | 4,884          | 4,900          | 4,900            |
| Reserves                                     | 30(a)          | 1,540             | 83,207         | 78,310         | 77,663           |
| <b>Total Equity</b>                          |                | 1,540             | 88,091         | 83,210         | 82,563           |

## Consolidated statements of changes in equity

(Expressed in Renminbi)

| Section B<br>Note  | Attributable to equity shareholders of the Company |                                 |   |                                |                  |   | Total<br>equity<br>RMB'000 |
|--|--|---------------------------------|---|--------------------------------|------------------|---|----------------------------|
|  | Paid-in/<br>share<br>capital<br>RMB'000            | Statutory<br>reserve<br>RMB'000 | Share-based<br>compensation<br>reserve<br>RMB'000 | Retained<br>profits<br>RMB'000 | Total<br>RMB'000 | Non-<br>controlling<br>interests<br>RMB'000 |                            |
|  |  |                                 |   |                                |                  |   |                            |
| <b>As at 1 January 2011</b>  | 39,972   | 8,008                           | —   | 67,855                         | 115,835          | 2,497                                       | 118,332                    |
| Changes in equity for 2011:  |  |                                 |   |                                |                  |   |                            |
| Profit for the year  | —  | —                               | —   | 150,426                        | 150,426          | —   | 150,426                    |
| Total comprehensive income   | —  | —                               | —   | 150,426                        | 150,426          | —   | 150,426                    |
| Acquisition of equity interests<br>from a non-controlling<br>interests | 30(b)(ii)  | —                               | —   | —                              | —                | (2,497)                                     | (2,497)                    |
| Equity settled share-based<br>transactions                             | 30(c)(iii)   | —                               | 1,540   | —                              | 1,540            | —   | 1,540                      |
| Dividend declared in respect of<br>the current year                    | 30(c)(viii)  | —                               | —   | (25,000)                       | (25,000)         | —   | (25,000)                   |
| Appropriation to statutory reserve                                     | 30(c)(ii)  | —                               | 11,307  | —                              | (11,307)         | —   | —                          |
| IPO Reorganisation   | 30(b)(ii)  | (39,972)                        | —   | —                              | (12,771)         | —   | (52,743)                   |
| <b>As at 31 December 2011</b>  | —  | 19,315                          | 1,540   | 169,203                        | 190,058          | —   | 190,058                    |

| Section B<br>Note                        | Attributable to equity shareholders of the Company |                             |                                 |   |                                |         | Total<br>RMB'000 |
|--|--|-----------------------------|---------------------------------|---|--------------------------------|---------|------------------|
|  | Share<br>capital<br>RMB'000                        | Share<br>premium<br>RMB'000 | Statutory<br>reserve<br>RMB'000 | Share-based<br>compensation<br>reserve<br>RMB'000 | Retained<br>profits<br>RMB'000 | Total   |                  |
|  |  |                             |                                 |   |                                |         |                  |
| Balance at 1 January 2012                | —  | —                           | 19,315                          | 1,540   | 169,203                        | 190,058 |                  |
| Changes in equity for 2012:              |  |                             |                                 |   |                                |         |                  |
| Profit for the year                      | —  | —                           | —                               | —   | 31,041                         | 31,041  |                  |
| Total comprehensive income               | —  | —                           | —                               | —   | 31,041                         | 31,041  |                  |
| Issue of shares, net of listing expenses | 30(b)(ii)  | 1,221                       | 95,475                          | —   | —                              | 96,696  |                  |
| Capitalisation issue                     | 30(b)(ii)  | 3,663                       | (3,663)                         | —   | —                              | —       |                  |
| Equity settled share-based transactions  | 30(c)(iii)   | —                           | —                               | —   | 2,992                          | 2,992   |                  |
| Appropriation to statutory reserve       | 30(c)(ii)  | —                           | —                               | 1,094   | —                              | (1,094) |                  |
| Balance at 31 December 2012              | 4,884  | 91,812                      | 20,409                          | 4,532   | 199,150                        | 320,787 |                  |

**APPENDIX II**
**FINANCIAL INFORMATION OF THE FORMER GROUP**

|   | <i>Section B<br/>Note</i> | Attributable to equity shareholders of the Company |  |  |   |   |   |   | <b>Total</b><br><i>RMB'000</i> |
|---|---------------------------|--|--|--|---|---|---|---|--------------------------------|
|   |                           | <b>Share capital</b><br><i>RMB'000</i>             | <b>Share premium</b><br><i>RMB'000</i> | <b>Statutory reserve</b><br><i>RMB'000</i> | <b>Share-based compensation reserve</b><br><i>RMB'000</i> | <b>Exchange reserve</b><br><i>RMB'000</i> | <b>Property revaluation reserve</b><br><i>RMB'000</i> | <b>Retained profits</b><br><i>RMB'000</i> |                                |
| Balance at 1 January 2013                   |                           | 4,884  | 91,812                                 | 20,409                                     | 4,532   | —   | —   | 199,150                                   | 320,787                        |
| Changes in equity for 2013:                 |                           |  |  |  |   |   |   |   |                                |
| Profit for the year                         |                           | —  | —                                      | —  | —   | —   | —   | 6,290                                     | 6,290                          |
| Other comprehensive income                  |                           | —  | —                                      | —  | —   | (1,767)                                   | 2,229   | —   | 462                            |
| Total comprehensive income                  |                           | —  | —                                      | —  | —   | (1,767)                                   | 2,229   | 6,290                                     | 6,752                          |
| Shares issued for exercise of share options | 30(b)(ii)                 | 16   | 2,277                                  | —  | (1,150)   | —   | —   | —   | 1,143                          |
| Forfeiture of share options                 | 28                        | —  | —                                      | —  | (146)   | —   | —   | 146                                       | —                              |
| Equity settled share-based transactions     | 30(c)(iii)                | —  | —                                      | —  | 1,455   | —   | —   | —   | 1,455                          |
| Appropriation to statutory reserve          | 30(c)(ii)                 | —  | —                                      | 604  | —   | —   | —   | (604)                                     | —                              |
| Balance at 31 December 2013                 |                           | <u>4,900</u>                                       | <u>94,089</u>                          | <u>21,013</u>                              | <u>4,691</u>  | <u>(1,767)</u>                            | <u>2,229</u>  | <u>204,982</u>                            | <u>330,137</u>                 |
| Balance at 1 January 2014                   |                           | 4,900  | 94,089                                 | 21,013                                     | 4,691   | (1,767)                                   | 2,229   | 204,982                                   | 330,137                        |
| Changes in equity for 2014:                 |                           |  |  |  |   |   |   |   |                                |
| Profit for the period                       |                           | —  | —                                      | —  | —   | —   | —   | (33,908)                                  | (33,908)                       |
| Other comprehensive income                  |                           | —  | —                                      | —  | —   | 522                                       | —   | —   | 522                            |
| Total comprehensive income                  |                           | —  | —                                      | —  | —   | 522                                       | —   | (33,908)                                  | (33,386)                       |
| Equity settled share-based transactions     | 30(c)(iii)                | —  | —                                      | —  | 528   | —   | —   | —   | 528                            |
| Balance at 30 June 2014                     |                           | <u>4,900</u>                                       | <u>94,089</u>                          | <u>21,013</u>                              | <u>5,219</u>  | <u>(1,245)</u>                            | <u>2,229</u>  | <u>171,074</u>                            | <u>297,279</u>                 |

| Section B<br>Note  | Attributable to equity shareholders of the Company |                             |                                 |   |                                |   |                | Retained<br>profits<br>RMB'000 | Total<br>RMB'000 |
|--|--|-----------------------------|---------------------------------|---|--------------------------------|---|----------------|--------------------------------|------------------|
|  | Share<br>capital<br>RMB'000                        | Share<br>premium<br>RMB'000 | Statutory<br>reserve<br>RMB'000 | Share-based<br>compensation<br>reserve<br>RMB'000 | Exchange<br>reserve<br>RMB'000 | Property<br>revaluation<br>reserve<br>RMB'000 |                |                                |                  |
| Balance at 1 January 2013                                  | 4,884  | 91,812                      | 20,409                          | 4,532   | —                              | —   | 199,150        | 320,787                        |                  |
| Changes in equity for 2013:                                |  |                             |                                 |   |                                |   |                |                                |                  |
| Profit for the period<br>(unaudited)                       | —  | —                           | —                               | —   | —                              | —   | 2,103          | 2,103                          |                  |
| Other comprehensive income<br>(unaudited)                  | —  | —                           | —                               | —   | (1,720)                        | 2,873   | —              | 1,153                          |                  |
| Total comprehensive income<br>(unaudited)                  | —  | —                           | —                               | —   | (1,720)                        | 2,873   | 2,103          | 3,256                          |                  |
| Shares issued for exercise of<br>share options (unaudited) | 30(b)(ii)  | 16                          | 2,277                           | —   | (1,150)                        | —   | —              | 1,143                          |                  |
| Forfeiture of share options<br>(unaudited)                 | 28   | —                           | —                               | —   | (74)                           | —   | 74             | —                              |                  |
| Equity settled share-based<br>transactions (unaudited)     | 30(c)(iii)   | —                           | —                               | —   | 923                            | —   | —              | 923                            |                  |
| Balance at 30 June 2013<br>(unaudited)                     | <u>4,900</u>                                       | <u>94,089</u>               | <u>20,409</u>                   | <u>4,231</u>                                      | <u>(1,720)</u>                 | <u>2,873</u>                                  | <u>201,327</u> | <u>326,109</u>                 |                  |

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| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
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**Consolidated cash flow statements**

*(Expressed in Renminbi)*

|   |                | Years ended 31 December |                  |                 | Six months ended 30 June |                 |
|---|----------------|-------------------------|------------------|-----------------|--------------------------|-----------------|
| <i>Section B</i>  | <b>2011</b>    | <b>2012</b>             | <b>2013</b>      | <b>2013</b>     | <b>2014</b>              |                 |
| <i>Note</i>   | <i>RMB'000</i> | <i>RMB'000</i>          | <i>RMB'000</i>   | <i>RMB'000</i>  | <i>RMB'000</i>           | <i>RMB'000</i>  |
|   |                |                         |                  |                 |                          | (unaudited)     |
| <b>Operating activities</b>   |                |                         |                  |                 |                          |                 |
| Cash generated from/(used in) operations  | 22(b)          | 108,496                 | (88,904)         | (63,523)        | (38,235)                 | (11,628)        |
| Income tax paid   |                | <u>(10,409)</u>         | <u>(29,994)</u>  | <u>(5,155)</u>  | <u>(4,991)</u>           | <u>(17,491)</u> |
| <b>Net cash generated from/(used in) operating activities</b>                                   |                | <u>98,087</u>           | <u>(118,898)</u> | <u>(68,678)</u> | <u>(43,226)</u>          | <u>(29,119)</u> |
| <b>Investing activities</b>   |                |                         |                  |                 |                          |                 |
| Payment for acquisition of leasehold land and buildings and other property, plant and equipment |                | (5,114)                 | (2,088)          | (17,549)        | (16,303)                 | (11)            |
| Proceeds from sale of property plant and equipment  |                | 138                     | —                | —               | —                        | —               |
| Advances to related parties   |                | (42,610)                | —                | —               | —                        | —               |
| Repayment from related parties  |                | <u>99,432</u>           | <u>—</u>         | <u>—</u>        | <u>—</u>                 | <u>—</u>        |
| <b>Net cash generated from/(used in) investing activities</b>                                   |                | <u>51,846</u>           | <u>(2,088)</u>   | <u>(17,549)</u> | <u>(16,303)</u>          | <u>(11)</u>     |

**APPENDIX II**
**FINANCIAL INFORMATION OF THE FORMER GROUP**

| <i>Section B</i>   | Years ended 31 December |                 |                 | Six months ended 30 June |                                |                 |
|--|-------------------------|-----------------|-----------------|--------------------------|--------------------------------|-----------------|
|  | <i>Note</i>             | 2011<br>RMB'000 | 2012<br>RMB'000 | 2013<br>RMB'000          | 2013<br>RMB'000<br>(unaudited) | 2014<br>RMB'000 |
| <b>Financing activities</b>                                    |                         |                 |                 |                          |                                |                 |
| Issue of new shares by public offering, net of listing expense |                         | —               | 93,532          | —                        | —                              | —               |
| Proceeds from shares issued under share option scheme          |                         | —               | —               | 1,143                    | 923                            | —               |
| Proceeds from new bank loans                                   |                         | 112,000         | —               | 118,886                  | 40,000                         | —               |
| Repayment of bank loans  |                         | (4,440)         | —               | (200,000)                | —                              | —               |
| Increase in amount deposited to an escrow account              |                         | (25,000)        | —               | —                        | —                              | —               |
| Interest received  |                         | 357             | 363             | 405                      | —                              | 22              |
| Advances from related parties                                  |                         | 27,510          | 57,742          | 169,020                  | —                              | 161,948         |
| Repayment of advances from related parties                     |                         | (30,595)        | (44,855)        | (36,893)                 | —                              | (104,391)       |
| Interest paid  |                         | (11,714)        | (14,033)        | (15,159)                 | (7,111)                        | (3,449)         |
| Dividend paid  |                         | (69,300)        | —               | —                        | —                              | —               |
| Deemed distribution in relation to the Reorganisation          |                         | (52,743)        | —               | —                        | —                              | —               |
| Acquisition of non-controlling interests                       |                         | (2,497)         | —               | —                        | —                              | —               |
| <b>Net cash (used in)/generated from financing activities</b>  |                         | <u>(56,422)</u> | <u>92,749</u>   | <u>37,402</u>            | <u>33,812</u>                  | <u>54,130</u>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>    |                         | <u>93,511</u>   | <u>(28,237)</u> | <u>(48,825)</u>          | <u>(25,717)</u>                | <u>25,000</u>   |
| <b>Cash and cash equivalents at 1 January</b>                  |                         | 23,023          | 116,534         | 88,297                   | 88,297                         | 39,104          |
| <b>Effect of foreign exchange rate changes</b>                 |                         | —               | —               | (368)                    | (235)                          | 48              |
| <b>Cash and cash equivalents at 31 December/30 June</b>        | 22(a)                   | <u>116,534</u>  | <u>88,297</u>   | <u>39,104</u>            | <u>62,345</u>                  | <u>64,152</u>   |

**B    NOTES TO THE FINANCIAL INFORMATION**

*(Expressed in Renminbi unless otherwise indicated)*

**1    SIGNIFICANT ACCOUNTING POLICIES**

**(a)    Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards (“IASs”) and related interpretations promulgated by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 36.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2013 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

**(b)    Basis of preparation and presentation**

Kai Shi China Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 12 January 2012.

Pursuant to the IPO Reorganisation of the Company and its subsidiaries (together referred to as the “Group”) completed on 8 April 2011 to rationalise the group structure in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the IPO Reorganisation are set out in note 30(b)(ii).

The Group is regarded as a continuing entity resulting from the IPO Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial information of the Group have been prepared as if the group structure upon the completion of the IPO Reorganisation had been in existence throughout the Relevant Periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the IPO Reorganisation.

**(c)    Basis of measurement**

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand. It is prepared on the historical cost basis except for investment properties (see note 1(h)) that are stated at their fair value.

**(d) Going concern**

The Financial Information has been prepared assuming the Group will continue as a going concern. The directors are of the opinion that, based on detailed review of liquidity requirement and working capital forecast of the Group for the next 12 months, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

**(e) Use of estimates and judgements**

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and the major sources of estimation uncertainty are discussed in note 2.

**(f) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(ii)).

**(g) Joint ventures**

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses (see note 1(k)). No investments in joint venture were recorded as at 31 December 2011, 2012, 2013 and 30 June 2014 as the Group's joint venture, Dalian Kai Shi Urban-Rural Investment and Construction Company Limited, was newly incorporated in May 2014.

### (h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(v)(iv).

When the property is completed property held for sale that is being transferred to investment property, the gain or loss on revaluation, based on the assets carrying amount at the date of transfer, is recognised in profit or loss. When the property previously was held for own use, the property should be accounted for as property, plant and equipment up to the date of its change in use. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised in property revaluation reserve within equity until the retirement or disposal of the property (when it is released directly to retained profits).

### (i) Other property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)). Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment include the cost of materials, direct labour and an appropriate proportion of borrowing costs (see note 1(x)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

|                                   |            |
|-----------------------------------|------------|
| Buildings                         | 20 years   |
| Plant and machinery               | 5–10 years |
| Motor vehicles                    | 5–10 years |
| Furniture, fixtures and equipment | 3–5 years  |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(j) Leased assets**

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

**(i) Classification of assets leased to the Group**

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

**(ii) Operating lease charges**

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as investment properties (see note 1(h)) or property under development or held for development for sale (see note 1(l)).

**(k) Impairment of assets****(i) Impairment of trade and other receivables**

Trade and other current receivables and other financial assets that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding asset directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, deposits and prepayments, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Lease prepayments; and
- Investments in subsidiaries and joint ventures in the Company's statements of financial information.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less cost 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 assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

**(l) Property development**

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— *Properties under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed properties held for sale*

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

**(m) Inventories**

Inventories in respect of doors and windows for resale are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(n) Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(v)(iii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables, deposits and prepayments”. Amounts received before the related work is performed are presented as “receipts in advance”.

**(o) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(p) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

**(q) Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(r) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(s) Employee benefits****(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

**(ii) Share-based payments**

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the

market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

**(t) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(u) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(v) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

**(i) Sale of properties**

Revenue arising from the sale of properties is recognised when the significant risks and rewards of ownership of the property have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers, and receive all the payment from buyers or collection of receivables are reasonably assured.

Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts, if any. Deposits and installments received on properties sold prior to date of revenue recognition are included in the statement of financial position under receipts in advance.

**(ii) Sale of goods**

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

**(iii) Contract revenue**

When the outcome of a construction contract can be estimated reliably, revenue from a construction contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

**(iv) *Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(v) *Interest income***

Interest income is recognised as it accrues using the effective interest method.

**(w) *Translation of foreign currencies***

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

**(x) *Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences 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 in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(y) *Related parties***

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of 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.

**(z) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**2 ACCOUNTING JUDGEMENT AND ESTIMATES**

**(a) Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

**(i) *Withholding taxes arising from the distributions of dividends***

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

**(ii) *Classification between investment properties and properties held for sale***

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after their completion, whereas, the properties are accounted for as investment

properties under construction if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties.

For a transfer from inventories to investment property, the transfer shall be made when, and only when, there is a change in use, evidenced by commencement of an operation lease to another party. The transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

**(b) Sources of estimation uncertainty**

Notes 14, 28, 29 and 31 contain information about the assumptions and their risk factors relating to valuation of investment property, fair value of share options granted, recognition of deferred tax liabilities in respect of undistributed profits of the Group's subsidiaries in the People's Republic of China ("the PRC") and valuation of financial instruments. Other key sources of estimation uncertainty are as follows:

**(i) Construction contracts**

As explained in policy notes 1(n) and 1(v)(iii) revenue and profit recognition on an incompleting project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 20 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

**(ii) Impairments**

As explained in note 1(l), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for properties held for future development, property under development for sale, and completed properties held for sale, may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years/periods.

**(iii) Provision for Land Appreciation Tax ("LAT")**

As explained in note 6(b), the Group has estimated and provided for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of LAT as interpreted by the local tax bureau,

the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

### **3 SEGMENT REPORTING**

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development;
- Provision of earthwork engineering service; and
- Sales of doors and windows;

No geographic information is shown as substantially all assets, liabilities, turnover and profit from the operations of the Group are derived from activities in the PRC.

#### **(a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets. Segment liabilities include current liabilities and bank borrowings and deferred taxation managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "profit after tax".

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years is set out below.

|  | <b>Property<br/>development</b><br><i>RMB'000</i> | <b>Provision of<br/>earthwork<br/>engineering<br/>service</b><br><i>RMB'000</i> | <b>Sales of<br/>door and<br/>windows</b><br><i>RMB'000</i> | <b>Total</b><br><i>RMB'000</i> |
|--|---|---|--|--------------------------------|
| <b>For the year ended 31 December 2011</b> |   |   |  |                                |
| Reportable segment revenue                 | <u>481,269</u>                                    | <u>—</u>  | <u>29,819</u>  | <u>511,088</u>                 |
| Reportable segment profit                  | <u>190,183</u>                                    | <u>(1,105)</u>  | <u>45,624</u>  | <u>234,702</u>                 |
| Interest income from bank deposits         | <u>31</u>   | <u>40</u>   | <u>13</u>  | <u>84</u>                      |
| Interest expense                           | <u>(2,156)</u>                                    | <u>—</u>  | <u>(180)</u>   | <u>(2,336)</u>                 |
| Depreciation and amortisation for the year | <u>(1,649)</u>                                    | <u>(231)</u>  | <u>(192)</u>   | <u>(2,072)</u>                 |
| Reportable segment assets                  | <u>795,290</u>                                    | <u>—</u>  | <u>120,033</u>   | <u>915,323</u>                 |
| Reportable segment liabilities             | <u>567,682</u>                                    | <u>—</u>  | <u>104,537</u>   | <u>672,219</u>                 |
| <b>For the year ended 31 December 2012</b> |   |   |  |                                |
| Reportable segment revenue                 | <u>80,016</u>                                     | <u>3,286</u>  | <u>22,401</u>  | <u>105,703</u>                 |
| Reportable segment profit                  | <u>29,159</u>                                     | <u>926</u>  | <u>757</u>   | <u>30,842</u>                  |
| Interest income from bank deposits         | <u>356</u>  | <u>1</u>  | <u>6</u>   | <u>363</u>                     |
| Interest expense                           | <u>—</u>  | <u>—</u>  | <u>—</u>   | <u>—</u>                       |
| Depreciation and amortisation for the year | <u>(1,818)</u>                                    | <u>(369)</u>  | <u>(219)</u>   | <u>(2,406)</u>                 |
| Reportable segment assets                  | <u>898,719</u>                                    | <u>5,177</u>  | <u>146,438</u>   | <u>1,050,334</u>               |
| Reportable segment liabilities             | <u>556,786</u>                                    | <u>2,411</u>  | <u>116,697</u>   | <u>675,894</u>                 |

|  | Property<br>development<br><i>RMB'000</i> | Provision of<br>earthwork<br>engineering<br>service<br><i>RMB'000</i> | Sales of<br>door and<br>windows<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|---|---|---|-------------------------|
| <b>For the year ended 31 December 2013</b>               |   |   |   |                         |
| Reportable segment revenue                               | 39,795                                    | 31,867  | 29,246  | 100,908                 |
| Reportable segment (loss)/profit                         | (433)                                     | 6,129   | 455   | 6,151                   |
| Interest income from bank deposits                       | 184                                       | 15  | 206   | 405                     |
| Interest expense   | (38)                                      | (1,422)   | (1,341)   | (2,801)                 |
| Depreciation and amortisation for the year               | (2,209)                                   | (380)   | (303)   | (2,892)                 |
| Reportable segment assets                                | 879,547                                   | 208,362   | 188,903   | 1,276,812               |
| Reportable segment liabilities                           | 518,704                                   | 197,064   | 158,707   | 874,475                 |
| <b>For the period ended 30 June 2013<br/>(unaudited)</b> |   |   |   |                         |
| Reportable segment revenue                               | 16,194                                    | 19,741  | 11,593  | 47,528                  |
| Reportable segment (loss)/profit                         | (3,032)                                   | 4,341   | 723   | 2,032                   |
| Interest income from bank deposits                       | 108                                       | 7   | 6   | 121                     |
| Interest expense   | —   | (480)   | —   | (480)                   |
| Depreciation and amortisation for the<br>period          | (1,101)                                   | (188)   | (109)   | (1,398)                 |
| Reportable segment assets                                | 872,400                                   | 48,422  | 131,436   | 1,052,258               |
| Reportable segment liabilities                           | 514,594                                   | 41,315  | 100,972   | 656,881                 |
| <b>For the period ended 30 June 2014</b>                 |   |   |   |                         |
| Reportable segment revenue                               | 13,504                                    | 12,445  | 21,118  | 47,067                  |
| Reportable segment (loss)/profit                         | (39,884)                                  | 4,799   | 1,158   | (33,927)                |
| Interest income from bank deposits                       | 9   | 6   | 7   | 22                      |
| Interest expense   | (175)                                     | (672)   | (2,108)   | (2,955)                 |
| Depreciation and amortisation for the<br>period          | (1,061)                                   | (208)   | (198)   | (1,467)                 |
| Reportable segment assets                                | 903,553                                   | 99,985  | 186,324   | 1,189,862               |
| Reportable segment liabilities                           | 498,117                                   | 84,360  | 154,971   | 737,448                 |

**APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP**

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

|   | Years ended 31 December |                  |                  | Six months ended<br>30 June |                  |
|---|-------------------------|------------------|------------------|-----------------------------|------------------|
|   | 2011                    | 2012             | 2013             | 2013                        | 2014             |
|   | <i>RMB'000</i>          | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>              | <i>RMB'000</i>   |
|   |                         |                  |                  | (unaudited)                 |                  |
| <b>Revenue</b>                                  |                         |                  |                  |                             |                  |
| Reportable segment revenue                      | 511,088                 | 105,703          | 100,908          | 47,528                      | 47,067           |
| Less: Elimination of inter-segment revenue      | <u>(5,778)</u>          | <u>—</u>         | <u>—</u>         | <u>—</u>                    | <u>—</u>         |
| Consolidated turnover                           | <u>505,310</u>          | <u>105,703</u>   | <u>100,908</u>   | <u>47,528</u>               | <u>47,067</u>    |
| <b>Profit/(loss)</b>                            |                         |                  |                  |                             |                  |
| Reportable segment profit/(loss)                | 234,702                 | 30,842           | 6,151            | 2,032                       | (33,927)         |
| Less: Elimination of inter-segment profits      | <u>(84,276)</u>         | <u>199</u>       | <u>139</u>       | <u>71</u>                   | <u>19</u>        |
| Consolidated profit/(loss) after tax            | <u>150,426</u>          | <u>31,041</u>    | <u>6,290</u>     | <u>2,103</u>                | <u>(33,908)</u>  |
|   |                         |                  |                  |                             |                  |
|   | As at 31 December       |                  |                  | As at 30 June               |                  |
|   | 2011                    | 2012             | 2013             | 2013                        | 2014             |
|   | <i>RMB'000</i>          | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>RMB'000</i>              | <i>RMB'000</i>   |
| <b>Assets</b>                                   |                         |                  |                  |                             |                  |
| Reportable segment assets                       | 915,323                 | 1,050,334        | 1,276,812        | 1,276,812                   | 1,189,862        |
| Less: Elimination of inter-segment transactions | <u>(177,498)</u>        | <u>(181,905)</u> | <u>(364,928)</u> | <u>(364,928)</u>            | <u>(306,704)</u> |
| Consolidated total assets                       | <u>737,825</u>          | <u>868,429</u>   | <u>911,884</u>   | <u>911,884</u>              | <u>883,158</u>   |
| <b>Liabilities</b>                              |                         |                  |                  |                             |                  |
| Reportable segment liabilities                  | 672,219                 | 675,894          | 874,475          | 874,475                     | 737,448          |
| Less: Elimination of inter-segment transactions | <u>(124,452)</u>        | <u>(128,252)</u> | <u>(292,728)</u> | <u>(292,728)</u>            | <u>(151,569)</u> |
| Consolidated liabilities                        | <u>547,767</u>          | <u>547,642</u>   | <u>581,747</u>   | <u>581,747</u>              | <u>585,879</u>   |

|                    |  |
|--------------------|--|
| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
|--------------------|--|

#### 4 TURNOVER

The principal activities of the Group are property development, provision of earthwork engineering service and sales of doors and windows. The amount of each significant category of revenue recognised in turnover during the year/period is as follows:

|  | Years ended 31 December |                |                | Six months ended 30 June |                |
|--|-------------------------|----------------|----------------|--------------------------|----------------|
|  | 2011                    | 2012           | 2013           | 2013                     | 2014           |
|  | <i>RMB'000</i>          | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>           | <i>RMB'000</i> |
|  |                         |                |                | (unaudited)              |                |
| Sales of properties                        | 479,555                 | 77,577         | 36,121         | 14,309                   | 10,998         |
| Provision of earthwork engineering service | —                       | 3,286          | 31,867         | 19,742                   | 12,445         |
| Sales of doors and windows                 | 24,040                  | 22,401         | 29,246         | 11,593                   | 21,118         |
| Rental income                              | 1,715                   | 2,439          | 3,674          | 1,884                    | 2,506          |
|  | <u>505,310</u>          | <u>105,703</u> | <u>100,908</u> | <u>47,528</u>            | <u>47,067</u>  |

#### 5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

|  | Years ended 31 December |                 |                 | Six months ended 30 June |                |
|--|-------------------------|-----------------|-----------------|--------------------------|----------------|
|  | 2011                    | 2012            | 2013            | 2013                     | 2014           |
|  | <i>RMB'000</i>          | <i>RMB'000</i>  | <i>RMB'000</i>  | <i>RMB'000</i>           | <i>RMB'000</i> |
|  |                         |                 |                 | (unaudited)              |                |
| <b>(a) Finance costs:</b>  |                         |                 |                 |                          |                |
| Interest on bank loans   | 11,714                  | 14,033          | 15,159          | 7,111                    | 3,427          |
| Less: Interest expense capitalised into properties under development ( <i>note</i> ) | <u>(9,378)</u>          | <u>(14,033)</u> | <u>(12,358)</u> | <u>(6,631)</u>           | <u>(472)</u>   |
|  | 2,336                   | —               | 2,801           | 480                      | 2,955          |
| Other finance costs  | <u>68</u>               | <u>70</u>       | <u>651</u>      | <u>15</u>                | <u>15</u>      |
|  | <u>2,404</u>            | <u>70</u>       | <u>3,452</u>    | <u>495</u>               | <u>2,970</u>   |

*Note:* The borrowing costs have been capitalised into properties under development for sale at rates ranging from 5.88% to 6.41%, 6.14% to 6.98%, 6.46% to 7.20% and 6.46% to 7.20% per annum for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 respectively.

|  | Years ended 31 December |               |               | Six months ended 30 June |              |
|--|-------------------------|---------------|---------------|--------------------------|--------------|
|  | 2011                    | 2012          | 2013          | 2013                     | 2014         |
|  | RMB'000                 | RMB'000       | RMB'000       | RMB'000                  | RMB'000      |
| (b) <b>Staff costs:</b>  |                         |               |               | (unaudited)              |              |
| Contributions to defined contribution retirement plans (note 27) | 1,017                   | 1,162         | 1,281         | 466                      | 503          |
| Salaries, wages and other benefits                               | 7,019                   | 9,504         | 9,720         | 4,675                    | 4,804        |
| Equity-settled share-based payment expenses (note 28)            | 1,540                   | 2,992         | 1,455         | 923                      | 528          |
|  | <u>9,576</u>            | <u>13,658</u> | <u>12,456</u> | <u>6,064</u>             | <u>5,835</u> |

Staff costs included directors' and senior management's remuneration (notes 7 and 8).

|   |               |               |               |              |               |
|---|---------------|---------------|---------------|--------------|---------------|
| (c) <b>Other items:</b>   |               |               |               |              |               |
| Depreciation  | 2,072         | 2,406         | 2,815         | 1,398        | 1,390         |
| Amortisation of lease prepayments                                   | —             | —             | 77            | —            | 78            |
| Operating lease charges   | —             | 1,644         | 1,722         | —            | —             |
| Net foreign exchange (gain)/loss                                    | (353)         | (178)         | 373           | (178)        | 2             |
| Auditor's remuneration  | 2,535         | 1,309         | 1,419         | 250          | 450           |
| Charity donations   | 235           | —             | —             | —            | —             |
| Write-down of completed properties held for sale                    | —             | —             | —             | —            | 18,500        |
| (Gain)/loss on disposal of property, plant and equipment            | (112)         | —             | 3             | —            | —             |
| Rentals receivable from investment properties less direct outgoings | (1,715)       | (2,392)       | (3,626)       | (1,885)      | (2,506)       |
| Cost of inventories <sup>#</sup>                                    | <u>21,137</u> | <u>17,492</u> | <u>22,776</u> | <u>8,928</u> | <u>15,329</u> |

<sup>#</sup> Included in cost of inventories in respect of sales of doors and windows are RMB1,129,000, RMB1,602,000, RMB1,722,000, RMB619,000 (unaudited) and RMB1,060,000 for the years ended 31 December 2011, 2012, 2013 and six months ended 30 June 2013 and 2014 relating to staff costs, depreciation and amortisation expenses. These amounts are also included in the respective total amounts disclosed separately above or in notes 5(b) and (c) for each of these types of expenses.

**APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP**

**6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

**(a) Taxation in the consolidated statements of profit or loss represents:**

|   | Years ended 31 December |                      |                     | Six months ended 30 June |                        |
|---|-------------------------|----------------------|---------------------|--------------------------|------------------------|
|   | 2011                    | 2012                 | 2013                | 2013                     | 2014                   |
|   | <i>RMB'000</i>          | <i>RMB'000</i>       | <i>RMB'000</i>      | <i>RMB'000</i>           | <i>RMB'000</i>         |
|   |                         |                      |                     | (unaudited)              |                        |
| Current tax   |                         |                      |                     |                          |                        |
| PRC Corporate Income Tax (“CIT”)                                  | 71,543                  | 566                  | 843                 | 729                      | 652                    |
| PRC LAT   | <u>33,866</u>           | <u>5,581</u>         | <u>2,117</u>        | <u>632</u>               | <u>893</u>             |
|   | 105,409                 | 6,147                | 2,960               | 1,361                    | 1,545                  |
| Deferred tax  |                         |                      |                     |                          |                        |
| Origination and reversal of temporary differences relating to CIT | (13,870)                | 12,583               | 1,766               | 602                      | (12,337)               |
| Origination and reversal of temporary differences relating to LAT | <u>102</u>              | <u>3,734</u>         | <u>4,886</u>        | <u>3,598</u>             | <u>(12,212)</u>        |
|   | <u><u>91,641</u></u>    | <u><u>22,464</u></u> | <u><u>9,612</u></u> | <u><u>5,561</u></u>      | <u><u>(23,004)</u></u> |

**(b) Reconciliation between tax expense/(benefit) and accounting profit/(loss) at applicable tax rates:**

|   | Years ended 31 December |                      |                     | Six months ended 30 June |                        |
|---|-------------------------|----------------------|---------------------|--------------------------|------------------------|
|   | 2011                    | 2012                 | 2013                | 2013                     | 2014                   |
|   | <i>RMB'000</i>          | <i>RMB'000</i>       | <i>RMB'000</i>      | <i>RMB'000</i>           | <i>RMB'000</i>         |
|   |                         |                      |                     | (unaudited)              |                        |
| Profit/(loss) before taxation   | <u>242,067</u>          | <u>53,505</u>        | <u>15,902</u>       | <u>7,664</u>             | <u>(56,912)</u>        |
| Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned | 61,289                  | 13,967               | 4,200               | 1,856                    | (14,551)               |
| Tax effect of non-deductible expenses   | 2,528                   | 1,511                | 159                 | 532                      | 36                     |
| Tax effect of unused tax loss not recognised  | 276                     | —                    | —                   | —                        | —                      |
| LAT   | 33,968                  | 9,315                | 7,003               | 4,230                    | (11,319)               |
| Tax effect of LAT   | (8,492)                 | (2,329)              | (1,750)             | (1,057)                  | 2,830                  |
| Deemed withholding income tax for dividends declared  | <u>2,072</u>            | <u>—</u>             | <u>—</u>            | <u>—</u>                 | <u>—</u>               |
| Actual tax expense/(benefit)  | <u><u>91,641</u></u>    | <u><u>22,464</u></u> | <u><u>9,612</u></u> | <u><u>5,561</u></u>      | <u><u>(23,004)</u></u> |

(i) Effective from 1 January 2008, the PRC’s statutory income tax rate is 25%.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiary did not earn any income subject to Hong Kong Profits Tax during the years ended 31 December 2011, 2012, 2013 and six months ended 30 June 2014.

- (iii) PRC LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures. LAT paid is deductible expenses for PRC income tax purposes.

A subsidiary of the Group was subject to LAT which is calculated based on 5% to 8% of their revenue in accordance with the authorised tax valuation method approved by the local tax bureau.

The directors are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging CIT and LAT to the corresponding PRC subsidiary of the Group, and the risk of being challenged by the State Tax Bureau or any tax bureau of higher authority is remote.

- (iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

### 7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

|   | Year ended 31 December 2011 |  |   |  |   | Total<br><i>RMB'000</i> |
|---|-----------------------------|--|---|--|---|-------------------------|
|   | Fee<br><i>RMB'000</i>       | Basic salaries,<br>allowances<br>and other<br>benefits<br><i>RMB'000</i> | Contributions<br>to retirement<br>benefit<br>scheme<br><i>RMB'000</i> | Discretionary<br>bonuses<br><i>RMB'000</i> | Equity settled<br>share-based<br>payments<br><i>RMB'000</i> |                         |
| <b>Executive directors:</b>                 |                             |  |   |  |   |                         |
| Mr. Kai Chenglian                           | —                           | 264  | 14  | —  | 562   | 840                     |
| Mr. Kai Xiaojiang                           | —                           | 162  | 12  | —  | 169   | 343                     |
| Ms. Jiang Shuxia                            | —                           | 162  | 12  | —  | 169   | 343                     |
| Ms. Han Liping                              | —                           | 159  | 13  | —  | 169   | 341                     |
| <b>Independent non-executive directors:</b> |                             |  |   |  |   |                         |
| Ms. Yang Jing                               | —                           | 58   | —   | —  | —   | 58                      |
| Mr. Li Fook Wing                            | —                           | 32   | —   | —  | —   | 32                      |
| Ms. Sun Huijun                              | —                           | 58   | —   | —  | —   | 58                      |
| Total                                       | —                           | 895  | 51  | —  | 1,069   | 2,015                   |

|   | Year ended 31 December 2012 |   |  |                                     |  | Total<br>RMB'000 |
|---|-----------------------------|---|--|-------------------------------------|--|------------------|
|   | Fee<br>RMB'000              | Basic salaries,<br>allowances<br>and other<br>benefits<br>RMB'000 | Contributions<br>to retirement<br>benefit<br>scheme<br>RMB'000 | Discretionary<br>bonuses<br>RMB'000 | Equity settled<br>share-based<br>payments<br>RMB'000 |                  |
| <b>Executive directors:</b>                 |                             |   |  |                                     |  |                  |
| Mr. Kai Chenglian                           | —                           | 605   | 40   | —                                   | 1,074  | 1,719            |
| Mr. Kai Xiaojiang                           | —                           | 104   | 23   | —                                   | 323  | 450              |
| Ms. Jiang Shuxia                            | —                           | 401   | 35   | —                                   | 323  | 759              |
| Ms. Han Liping                              | —                           | 139   | 28   | —                                   | 323  | 490              |
| <b>Independent non-executive directors:</b> |                             |   |  |                                     |  |                  |
| Ms. Yang Jing                               | —                           | 100   | —  | —                                   | —  | 100              |
| Mr. Li Fook Wing                            | —                           | 97  | —  | —                                   | —  | 97               |
| Ms. Sun Huijun                              | —                           | 100   | —  | —                                   | —  | 100              |
| Total                                       | —                           | 1,546   | 126  | —                                   | 2,043  | 3,715            |
| <b>Year ended 31 December 2013</b>          |                             |   |  |                                     |  |                  |
|   | Fee<br>RMB'000              | Basic salaries,<br>allowances<br>and other<br>benefits<br>RMB'000 | Contributions<br>to retirement<br>benefit<br>scheme<br>RMB'000 | Discretionary<br>bonuses<br>RMB'000 | Equity settled<br>share-based<br>payments<br>RMB'000 | Total<br>RMB'000 |
| <b>Executive directors:</b>                 |                             |   |  |                                     |  |                  |
| Mr. Kai Chenglian                           | —                           | 647   | 44   | —                                   | 534  | 1,225            |
| Mr. Kai Xiaojiang                           | —                           | 127   | 26   | —                                   | 160  | 313              |
| Ms. Jiang Shuxia                            | —                           | 407   | 38   | —                                   | 160  | 605              |
| Ms. Han Liping                              | —                           | 142   | 41   | —                                   | 160  | 343              |
| <b>Independent non-executive directors:</b> |                             |   |  |                                     |  |                  |
| Ms. Yang Jing                               | —                           | 100   | —  | —                                   | —  | 100              |
| Mr. Li Fook Wing                            | —                           | 97  | —  | —                                   | —  | 97               |
| Ms. Sun Huijun                              | —                           | 100   | —  | —                                   | —  | 100              |
| Total                                       | —                           | 1,620   | 149  | —                                   | 1,014  | 2,783            |

## Six months ended 30 June 2013 (unaudited)

|   | Fee     | Basic salaries,<br>allowances<br>and other<br>benefits | Contributions<br>to retirement<br>benefit<br>scheme | Discretionary<br>bonuses | Equity settled<br>share-based<br>payments | Total   |
|---|---------|--|---|--------------------------|---|---------|
|   | RMB'000 | RMB'000  | RMB'000   | RMB'000                  | RMB'000                                   | RMB'000 |
| <b>Executive directors:</b>                 |         |  |   |                          |   |         |
| Mr. Kai Chenglian                           | —       | 324  | 22  | —                        | 340                                       | 686     |
| Mr. Kai Xiaojiang                           | —       | 64   | 13  | —                        | 102                                       | 179     |
| Ms. Jiang Shuxia                            | —       | 204  | 19  | —                        | 102                                       | 325     |
| Ms. Han Liping                              | —       | 71   | 21  | —                        | 102                                       | 194     |
| <b>Independent non-executive directors:</b> |         |  |   |                          |   |         |
| Ms. Yang Jing                               | —       | 50   | —   | —                        | —   | 50      |
| Mr. Li Fook Wing                            | —       | 49   | —   | —                        | —   | 49      |
| Ms. Sun Huijun                              | —       | 50   | —   | —                        | —   | 50      |
| Total                                       | —       | 812  | 75  | —                        | 646                                       | 1,533   |

## Six months ended 30 June 2014

|   | Fee     | Basic salaries,<br>allowances<br>and other<br>benefits | Contributions<br>to retirement<br>benefit<br>scheme | Discretionary<br>bonuses | Equity settled<br>share-based<br>payments | Total   |
|---|---------|--|---|--------------------------|---|---------|
|   | RMB'000 | RMB'000  | RMB'000   | RMB'000                  | RMB'000                                   | RMB'000 |
| <b>Executive directors:</b>                 |         |  |   |                          |   |         |
| Mr. Kai Chenglian                           | —       | 322  | 20  | —                        | 200                                       | 542     |
| Mr. Kai Xiaojiang                           | —       | 97   | 17  | —                        | 60  | 174     |
| Ms. Jiang Shuxia                            | —       | 193  | 24  | —                        | 60  | 277     |
| Ms. Han Liping                              | —       | 57   | 27  | —                        | 60  | 144     |
| <b>Independent non-executive directors:</b> |         |  |   |                          |   |         |
| Ms. Yang Jing                               | —       | 50   | —   | —                        | —   | 50      |
| Mr. Li Fook Wing                            | —       | 49   | —   | —                        | —   | 49      |
| Ms. Sun Huijun                              | —       | 50   | —   | —                        | —   | 50      |
| Total                                       | —       | 818  | 88  | —                        | 380                                       | 1,286   |

Equity settled share-based payment expenses represent the estimated value of share options granted to the directors under the Company's Pre-IPO Share Option Scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(s)(ii), includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 28.

During the Relevant Periods, there was no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the Relevant Periods.

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**8 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

Of the five individuals with the highest emoluments, four are directors for the Relevant Periods whose emoluments are disclosed in note 7 above. The emoluments in respect of the remaining one individual as follows:

|   | <b>Years ended 31 December</b> |                |                | <b>Six months ended 30 June</b> |                |
|---|--------------------------------|----------------|----------------|---------------------------------|----------------|
|   | <b>2011</b>                    | <b>2012</b>    | <b>2013</b>    | <b>2013</b>                     | <b>2014</b>    |
|   | <i>RMB'000</i>                 | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>                  | <i>RMB'000</i> |
|   |                                |                |                | (unaudited)                     |                |
| Salaries and other emoluments             | 137                            | 122            | 136            | 60                              | 65             |
| Equity settled share-based payment        | 56                             | 108            | 52             | 33                              | 20             |
| Contributions to retirement benefitscheme |                                |                |                |                                 |                |
|   | <u>13</u>                      | <u>10</u>      | <u>36</u>      | <u>16</u>                       | <u>17</u>      |
|   | <u>206</u>                     | <u>240</u>     | <u>224</u>     | <u>109</u>                      | <u>102</u>     |

The emolument of the above individual with the highest emoluments is within the following band during the Relevant Periods:

|                      | <b>Years ended 31 December</b> |                              |                              | <b>Six months ended 30 June</b> |                              |
|----------------------|--------------------------------|------------------------------|------------------------------|---------------------------------|------------------------------|
|                      | <b>2011</b>                    | <b>2012</b>                  | <b>2013</b>                  | <b>2013</b>                     | <b>2014</b>                  |
|                      | <i>Number of individuals</i>   | <i>Number of individuals</i> | <i>Number of individuals</i> | <i>Number of individuals</i>    | <i>Number of individuals</i> |
|                      |                                |                              |                              | (unaudited)                     |                              |
| Nil to HK\$1,000,000 | <u>1</u>                       | <u>1</u>                     | <u>1</u>                     | <u>1</u>                        | <u>1</u>                     |

**9 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

The consolidated profit/(loss) attributable to equity shareholders of the Company includes profit of RMB25,000,000, loss of RMB13,137,000, loss of RMB4,850,000, loss of RMB2,809,000 (unaudited) and loss of RMB1,969,000 for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014 respectively, which have been dealt with in the financial statements of the Company.

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**10 OTHER COMPREHENSIVE INCOME**

**(a) Tax effects relating to each component of other comprehensive income**

|  | <b>31 December 2013</b>         |                        |                              |
|--|---------------------------------|------------------------|------------------------------|
|  | <b>Before-tax<br/>amount</b>    | <b>Tax<br/>expense</b> | <b>Net-of-tax<br/>amount</b> |
|  | <i>RMB'000</i>                  | <i>RMB'000</i>         | <i>RMB'000</i>               |
| Exchange differences on translation of financial statements of overseas subsidiaries           | (1,767)                         | —                      | (1,767)                      |
| Surplus on revaluation upon transfer of property, plant and equipment to investment properties | <u>2,972</u>                    | <u>(743)</u>           | <u>2,229</u>                 |
| Other comprehensive income   | <u><u>1,205</u></u>             | <u><u>(743)</u></u>    | <u><u>462</u></u>            |
|  | <b>30 June 2013 (unaudited)</b> |                        |                              |
|  | <b>Before-tax<br/>amount</b>    | <b>Tax<br/>expense</b> | <b>Net-of-tax<br/>amount</b> |
|  | <i>RMB'000</i>                  | <i>RMB'000</i>         | <i>RMB'000</i>               |
| Exchange differences on translation of financial statements of overseas subsidiaries           | (1,720)                         | —                      | (1,720)                      |
| Surplus on revaluation upon transfer of property, plant and equipment to investment properties | <u>3,831</u>                    | <u>(958)</u>           | <u>2,873</u>                 |
| Other comprehensive income   | <u><u>2,111</u></u>             | <u><u>(958)</u></u>    | <u><u>1,153</u></u>          |
|  | <b>30 June 2014</b>             |                        |                              |
|  | <b>Before-tax<br/>amount</b>    | <b>Tax<br/>expense</b> | <b>Net-of-tax<br/>amount</b> |
|  | <i>RMB'000</i>                  | <i>RMB'000</i>         | <i>RMB'000</i>               |
| Exchange differences on translation of financial statements of overseas subsidiaries           | <u>522</u>                      | —                      | <u>522</u>                   |
| Other comprehensive income   | <u><u>522</u></u>               | <u><u>—</u></u>        | <u><u>522</u></u>            |

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(b) **Components of other comprehensive income, including reclassification adjustments**

|   | Years ended 31 December |          |              | Six months ended 30 June |          |
|---|-------------------------|----------|--------------|--------------------------|----------|
|   | 2011                    | 2012     | 2013         | 2013                     | 2014     |
|   | RMB'000                 | RMB'000  | RMB'000      | RMB'000                  | RMB'000  |
| Surplus on revaluation upon transfer of property, plant and equipment to investment properties:   |                         |          |              |                          |          |
| Changes in fair value recognised during the year/period   | —                       | —        | 2,972        | 3,831                    | —        |
| Net deferred tax charged to other comprehensive income  | —                       | —        | (743)        | (958)                    | —        |
|   | <u>—</u>                | <u>—</u> | <u>(743)</u> | <u>(958)</u>             | <u>—</u> |
| Surplus on revaluation upon transfer of property, plant and equipment to investment property during the year recognised in other comprehensive income | —                       | —        | 2,229        | 2,873                    | —        |
|   | <u>—</u>                | <u>—</u> | <u>2,229</u> | <u>2,873</u>             | <u>—</u> |

**11 EARNINGS/(LOSSES) PER SHARE**

(a) **Basic earnings/(losses) per share**

The Company's shares were listed on the Stock Exchange on 12 January 2012. For the purpose of this report, the calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to equity shareholders of the Company of RMB150,426,000 and on the assumption that 450,000,000 ordinary shares of the Company were in issue throughout the year.

The calculation of basic earnings/(losses) per share for the years ended 31 December 2012, 2013 and six months ended 30 June 2013 and 2014 is based on the respective profit/(loss) attributable to ordinary equity shareholders of the Company of RMB31,041,000, RMB6,290,000, RMB2,103,000 (unaudited) and RMB(33,908,000) and the weighted average number of ordinary shares of 595,479,453, 601,075,342, 600,135,359 (unaudited) and 602,000,000 in issue during the respective year/period, calculated as follows:

*Weighted average number of ordinary shares*

|   | Years ended 31 December |                    | Six months ended 30 June |                    |
|---|-------------------------|--------------------|--------------------------|--------------------|
|   | 2012                    | 2013               | 2013                     | 2014               |
|   | No. of shares           | No. of shares      | No. of shares            | No. of shares      |
| Issued ordinary shares at 1 January                               | 1                       | 600,000,000        | 600,000,000              | 602,000,000        |
| Effect of issue of share by public offering<br>(note 30(b)(ii))   | 145,479,452             | —                  | —                        | —                  |
| Effect of capitalisation issue<br>(note 30(b)(ii))                | 450,000,000             | —                  | —                        | —                  |
| Effect of share options exercised<br>(note 28)                    | —                       | 1,075,342          | 135,359                  | —                  |
|   | <u>—</u>                | <u>1,075,342</u>   | <u>135,359</u>           | <u>—</u>           |
| Weighted average number of ordinary shares at 31 December/30 June | <u>595,479,453</u>      | <u>601,075,342</u> | <u>600,135,359</u>       | <u>602,000,000</u> |

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**(b) Diluted earnings/(losses) per share**

There were no dilutive potential ordinary shares during the year ended 31 December 2011 and the six months ended 30 June 2014 and, therefore, diluted earnings/(losses) per share for the year ended 31 December 2011 and the six months ended 30 June 2014 are the same as the basic earnings/(losses) per share.

The calculation of diluted earnings/(losses) per share for the years ended 31 December 2012 and 2013 and six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of RMB31,041,000, RMB6,290,000 and RMB2,103,000 (unaudited) and the weighted average number of ordinary shares of 603,090,564, 607,672,452 and 607,183,746 (unaudited) shares, calculated as follows:

*Weighted average number of ordinary shares*

|   | <b>Years ended</b>   |                      | <b>Six months ended</b> |
|---|----------------------|----------------------|-------------------------|
|   | <b>31 December</b>   |                      | <b>30 June</b>          |
|   | <b>2012</b>          | <b>2013</b>          | <b>2013</b>             |
|   | <i>No. of shares</i> | <i>No. of shares</i> | <i>No. of shares</i>    |
|   |                      |                      | (unaudited)             |
| Weighted average number of ordinary shares at 31 December/30 June   | 595,479,453          | 601,075,342          | 600,135,359             |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration ( <i>note 28</i> ) | 7,611,111            | 6,597,110            | 7,048,387               |
| Weighted average number of ordinary shares (diluted) at 31 December/30 June                                       | 603,090,564          | 607,672,452          | 607,183,746             |

**12 LEASE PREPAYMENTS**

In June 2013, a subsidiary of the Group acquired a parcel of land in Tianjin, the PRC, and a building situated on that land parcel from Tianjin Free Trade Zone Investment Company Limited (“天津保稅區投資有限公司”) for a total consideration of RMB16,500,000, of which RMB6,716,000 related to the acquisition of land. As at 30 June 2014, the Group was still in the process of applying the ownership certificate for the land and building.

As at 31 December 2013 and 30 June 2014, the Group had a current portion of lease prepayment of RMB154,000 and RMB154,000 respectively, which are expected to be amortised to profit or loss within one year.

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**13 PROPERTY, PLANT AND EQUIPMENT**

|                                      | Buildings<br><i>RMB'000</i> | Plant and<br>machinery<br><i>RMB'000</i> | Motor<br>vehicles<br><i>RMB'000</i> | Furniture,<br>fixtures and<br>equipment<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--------------------------------------|-----------------------------|--|-------------------------------------|---|---|-------------------------|
| <b>Cost:</b>                         |                             |  |                                     |   |   |                         |
| At 1 January 2011                    | 3,251                       | 724                                      | 5,328                               | 1,845   | —   | 11,148                  |
| Additions                            | —                           | 1,885                                    | 2,939                               | 290   | —   | 5,114                   |
| Disposals                            | —                           | —  | (390)                               | —   | —   | (390)                   |
| At 31 December 2011                  | 3,251                       | 2,609                                    | 7,877                               | 2,135   | —   | 15,872                  |
| At 1 January 2012                    | 3,251                       | 2,609                                    | 7,877                               | 2,135   | —   | 15,872                  |
| Additions                            | —                           | 610                                      | 1,437                               | 41  | —   | 2,088                   |
| Disposals                            | —                           | (8)                                      | —                                   | —   | —   | (8)                     |
| At 31 December 2012                  | 3,251                       | 3,211                                    | 9,314                               | 2,176   | —   | 17,952                  |
| At 1 January 2013                    | 3,251                       | 3,211                                    | 9,314                               | 2,176   | —   | 17,952                  |
| Additions                            | —                           | 423                                      | 82                                  | 544   | 9,784   | 10,833                  |
| Disposals                            | —                           | —  | —                                   | (33)  | —   | (33)                    |
| Transfer to investment<br>properties | (260)                       | —  | —                                   | —   | —   | (260)                   |
| At 31 December 2013                  | 2,991                       | 3,634                                    | 9,396                               | 2,687   | 9,784   | 28,492                  |
| At 1 January 2014                    | 2,991                       | 3,634                                    | 9,396                               | 2,687   | 9,784   | 28,492                  |
| Additions                            | —                           | 11                                       | —                                   | —   | —   | 11                      |
| At 30 June 2014                      | 2,991                       | 3,645                                    | 9,396                               | 2,687   | 9,784   | 28,503                  |

|                                   | Buildings<br>RMB'000 | Plant and<br>machinery<br>RMB'000 | Motor<br>vehicles<br>RMB'000 | Furniture,<br>fixtures and<br>equipment<br>RMB'000 | Construction<br>in progress<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------|----------------------|-----------------------------------|------------------------------|--|--|------------------|
| <b>Accumulated depreciation:</b>  |                      |                                   |                              |  |  |                  |
| At 1 January 2011                 | 276                  | 506                               | 1,592                        | 908  | —                                      | 3,282            |
| Charge for the year               | 158                  | 255                               | 1,427                        | 232  | —                                      | 2,072            |
| Written back on disposals         | —                    | —                                 | (364)                        | —  | —                                      | (364)            |
| At 31 December 2011               | <u>434</u>           | <u>761</u>                        | <u>2,655</u>                 | <u>1,140</u>                                       | <u>—</u>                               | <u>4,990</u>     |
| At 1 January 2012                 | 434                  | 761                               | 2,655                        | 1,140  | —                                      | 4,990            |
| Charge for the year               | 135                  | 342                               | 1,706                        | 223  | —                                      | 2,406            |
| Written back on disposals         | —                    | (8)                               | —                            | —  | —                                      | (8)              |
| At 31 December 2012               | <u>569</u>           | <u>1,095</u>                      | <u>4,361</u>                 | <u>1,363</u>                                       | <u>—</u>                               | <u>7,388</u>     |
| At 1 January 2013                 | 569                  | 1,095                             | 4,361                        | 1,363  | —                                      | 7,388            |
| Charge for the year               | 157                  | 293                               | 1,965                        | 400  | —                                      | 2,815            |
| Written back on disposals         | —                    | —                                 | —                            | (30)   | —                                      | (30)             |
| Transfer to investment properties | (62)                 | —                                 | —                            | —  | —                                      | (62)             |
| At 31 December 2013               | <u>664</u>           | <u>1,388</u>                      | <u>6,326</u>                 | <u>1,733</u>                                       | <u>—</u>                               | <u>10,111</u>    |
| At 1 January 2014                 | 664                  | 1,388                             | 6,326                        | 1,733  | —                                      | 10,111           |
| Charge for the period             | 76                   | 261                               | 958                          | 95   | —                                      | 1,390            |
| At 30 June 2014                   | <u>740</u>           | <u>1,649</u>                      | <u>7,284</u>                 | <u>1,828</u>                                       | <u>—</u>                               | <u>11,501</u>    |
| <b>Net book value:</b>            |                      |                                   |                              |  |  |                  |
| At 31 December 2011               | <u>2,817</u>         | <u>1,848</u>                      | <u>5,222</u>                 | <u>995</u>   | <u>—</u>                               | <u>10,882</u>    |
| At 31 December 2012               | <u>2,682</u>         | <u>2,116</u>                      | <u>4,953</u>                 | <u>813</u>   | <u>—</u>                               | <u>10,564</u>    |
| At 31 December 2013               | <u>2,327</u>         | <u>2,246</u>                      | <u>3,070</u>                 | <u>954</u>   | <u>9,784</u>                           | <u>18,381</u>    |
| At 30 June 2014                   | <u>2,251</u>         | <u>1,996</u>                      | <u>2,112</u>                 | <u>859</u>   | <u>9,784</u>                           | <u>17,002</u>    |

All property, plant and equipment owned by the Group are located in the PRC.

Included in property, plant and equipment were buildings situated on land in the PRC, which were all held under medium term leases. Of these, a building of RMB9,784,000 was acquired during 2013. As at 30 June 2014, the building was still under construction (note 12) and the Group was in progress of obtaining the relevant building ownership certificates.

In addition to this, certain other buildings were pledged for certain bank loans granted to the Group since 2013. As at 31 December 2013 and 30 June 2014, the carrying value of these building were amounted to RMB2,327,000 and RMB2,230,000 respectively (note 24).

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As at 31 December 2011, 2012 and 2013 and 30 June 2014, certain property, plant and equipment that were fully depreciated but still in use were amounted to RMB1,105,000, RMB2,257,000, RMB2,281,000, and RMB4,103,000 respectively.

**14 INVESTMENT PROPERTIES**

|                       | <b>Investment<br/>properties</b> | <b>Total</b>   |
|-----------------------|----------------------------------|----------------|
|                       | <i>RMB'000</i>                   | <i>RMB'000</i> |
| At 1 January 2011     | 157,510                          | 157,510        |
| Additions             | —                                | —              |
| Fair value adjustment | 340                              | 340            |
| At 31 December 2011   | 157,850                          | 157,850        |
| <b>Representing:</b>  |                                  |                |
| Cost                  | 48,975                           | 48,975         |
| Valuation adjustments | 108,875                          | 108,875        |
|                       | 157,850                          | 157,850        |
| At 1 January 2012     | 157,850                          | 157,850        |
| Additions             | 13,134                           | 13,134         |
| Fair value adjustment | 38,746                           | 38,746         |
| At 31 December 2012   | 209,730                          | 209,730        |
| <b>Representing:</b>  |                                  |                |
| Cost                  | 62,109                           | 62,109         |
| Valuation adjustments | 147,621                          | 147,621        |
|                       | 209,730                          | 209,730        |

|                        | <b>Investment<br/>properties</b><br><i>RMB'000</i> | <b>Total</b><br><i>RMB'000</i> |
|------------------------|--|--------------------------------|
| At 1 January 2013      | 209,730  | 209,730                        |
| Additions              | 762  | 762                            |
| Fair value adjustment  | <u>16,308</u>                                      | <u>16,308</u>                  |
| At 31 December 2013    | <u><u>226,800</u></u>                              | <u><u>226,800</u></u>          |
| <b>Representing:</b>   |  |                                |
| Cost                   | 62,871   | 62,871                         |
| Valuation adjustments  | <u>163,929</u>                                     | <u>163,929</u>                 |
|                        | <u>226,800</u>                                     | <u>226,800</u>                 |
| At 1 January 2014      | 226,800  | 226,800                        |
| Additions              | —  | —                              |
| Fair value adjustment  | <u>(44,300)</u>                                    | <u>(44,300)</u>                |
| At 30 June 2014        | <u><u>182,500</u></u>                              | <u><u>182,500</u></u>          |
| <b>Representing:</b>   |  |                                |
| Cost                   | 62,871   | 62,871                         |
| Valuation adjustments  | <u>119,629</u>                                     | <u>119,629</u>                 |
|                        | <u>182,500</u>                                     | <u>182,500</u>                 |
| <b>Net book value:</b> |  |                                |
| As at 31 December 2011 | <u><u>157,850</u></u>                              | <u><u>157,850</u></u>          |
| As at 31 December 2012 | <u><u>209,730</u></u>                              | <u><u>209,730</u></u>          |
| As at 31 December 2013 | <u><u>226,800</u></u>                              | <u><u>226,800</u></u>          |
| At 30 June 2014        | <u><u>182,500</u></u>                              | <u><u>182,500</u></u>          |

**(a) Properties leased out under operating lease**

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 4 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment properties.

Certain investment properties with aggregate values of RMB21,640,000 and RMB20,140,000 as at 31 December 2013 and 30 June 2014 respectively were pledged for certain loans granted to the Group (note 24).

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During the Relevant Periods, the directors of the Group announced the following changes in the use of its properties:

- Certain completed properties held for sale in Dalian, the PRC, were changed from for sale to for lease during the years ended 31 December 2012 and 2013. The Group had entered into lease agreements with independent third parties accordingly. As a result, fair value gains amounting to RMB35,866,000 and RMB2,835,000 were recognised upon the transfer in the years ended 31 December 2012 and 2013 respectively.
- During the year ended 31 December 2013, certain portion of the Group's office building in Dalian, the PRC, were changed from for own use to for lease. As a result, a property revaluation reserve amounting to RMB2,972,000 was recognised upon the transfer.

Ownership certificates of all investment properties were obtained in September 2011.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

|                                 | <b>As at 31 December</b> |                      | <b>As at 30 June</b> |                      |
|---------------------------------|--------------------------|----------------------|----------------------|----------------------|
|                                 | <b>2011</b>              | <b>2012</b>          | <b>2013</b>          | <b>2014</b>          |
|                                 | <i>RMB'000</i>           | <i>RMB'000</i>       | <i>RMB'000</i>       | <i>RMB'000</i>       |
| Within 1 year                   | 2,383                    | 3,963                | 5,199                | 3,782                |
| After 1 year but within 5 years | 2,354                    | 5,839                | 6,075                | 7,134                |
| After 5 years                   | <u>—</u>                 | <u>3,501</u>         | <u>3,700</u>         | <u>2,182</u>         |
|                                 | <u><u>4,737</u></u>      | <u><u>13,303</u></u> | <u><u>14,974</u></u> | <u><u>13,098</u></u> |

**(b) Fair value measurement of investment properties**

**(i) Fair value hierarchy**

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

|   | Fair value<br>Total<br>RMB'000 | Fair value measurements<br>categorised into |                    |                    |
|---|--------------------------------|---|--------------------|--------------------|
|   |                                | Level 1<br>RMB'000                          | Level 2<br>RMB'000 | Level 3<br>RMB'000 |
| <b>Recurring fair value measurement</b> |                                |   |                    |                    |
| At 31 December 2011                     |                                |   |                    |                    |
| Investment properties:                  |                                |   |                    |                    |
| Commercial — PRC                        | 157,850                        | —   | —                  | 157,850            |
| At 31 December 2012                     |                                |   |                    |                    |
| Investment properties:                  |                                |   |                    |                    |
| Commercial — PRC                        | 209,730                        | —   | —                  | 209,730            |
| At 31 December 2013                     |                                |   |                    |                    |
| Investment properties:                  |                                |   |                    |                    |
| Commercial — PRC                        | 226,800                        | —   | —                  | 226,800            |
| At 30 June 2014                         |                                |   |                    |                    |
| Investment properties:                  |                                |   |                    |                    |
| Commercial — PRC                        | 182,500                        | —   | —                  | 182,500            |

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at the end of the reporting period. The valuations as at 31 December 2011 was carried out by Vigers Appraisal & Consulting Limited ("Vigers") and the valuation as at 31 December 2012, 2013 and 30 June 2014 were carried out by Grant Sherman Appraisal Limited ("Grant Sherman"). Both Vigers and Grant Sherman are an independent firm of surveyors, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) *Information about Level 3 fair value measurements*

|                       | Valuation techniques | Unobservable input     | Range   | Weighted average |
|-----------------------|----------------------|------------------------|---------|------------------|
| Investment properties | Capitalised rental   | Risk-adjusted discount | 3.7% to | 3.8%             |
| Commercial — PRC      | income approach      | rate                   | 3.8%    |                  |

The fair value of investment properties located in the PRC is determined using capitalised rental income approach. The valuation takes into account current rental income of the property interest and the reversionary potential of the tenancy. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. Grant Sherman also adopted the direct market comparison approach by making reference to the recent transaction for similar premises in the proximity to cross check the fair value.

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The movement during the Relevant Periods in the balance of the Level 3 fair value measurement is as follows:

|  | <i>RMB'000</i>        |
|--|-----------------------|
| Investment properties — Commercial — PRC |                       |
| At 1 January 2011                        | 157,510               |
| Fair value adjustment                    | <u>340</u>            |
| At 31 December 2011                      | <u><u>157,850</u></u> |
| At 1 January 2012                        | 157,850               |
| Additions                                | 13,134                |
| Fair value adjustment                    | <u>38,746</u>         |
| At 31 December 2012                      | <u><u>209,730</u></u> |
| At 1 January 2013                        | 209,730               |
| Additions                                | 762                   |
| Fair value adjustment                    | <u>16,308</u>         |
| At 31 December 2013                      | <u><u>226,800</u></u> |
| At 1 January 2014                        | 226,800               |
| Fair value adjustment                    | <u>(44,300)</u>       |
| At 30 June 2014                          | <u><u>182,500</u></u> |

Fair value adjustments of investment properties presented above includes:

|  | <b>Years ended 31 December</b> |                      |                      | <b>Six months ended</b> |
|--|--------------------------------|----------------------|----------------------|-------------------------|
|  | <b>2011</b>                    | <b>2012</b>          | <b>2013</b>          | <b>30 June</b>          |
|  | <i>RMB'000</i>                 | <i>RMB'000</i>       | <i>RMB'000</i>       | <i>RMB'000</i>          |
| Change in fair value of investment properties  | 340                            | 2,880                | 10,501               | (44,300)                |
| Valuation gains recognised in profit or loss upon transfer from completed properties held for sale to investment properties          | —                              | 35,866               | 2,835                | —                       |
| Valuation gains recognised in other comprehensive income upon transfer from properties, plant and equipment to investment properties | <u>—</u>                       | <u>—</u>             | <u>2,972</u>         | <u>—</u>                |
|  | <u><u>340</u></u>              | <u><u>38,746</u></u> | <u><u>16,308</u></u> | <u><u>(44,300)</u></u>  |

All the gains recognised in profit or loss for the year/period arises from the investment properties held at the end of the reporting period.

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### 15 INVESTMENTS IN SUBSIDIARIES

|                          | <b>The Company</b>       |                |                | <b>As at 30 June</b> |
|--------------------------|--------------------------|----------------|----------------|----------------------|
|                          | <b>As at 31 December</b> |                |                | <b>2014</b>          |
|                          | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    |                      |
|                          | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Unlisted shares, at cost | —                        | —              | —              | 82,956               |

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary share.

| Name of company  | Place of incorporation/<br>establishment and<br>operation | Issued and<br>fully paid up/<br>registered capital | Proportion of ownership interest     |                        |                         | Principal activity                              |
|--|---|--|--------------------------------------|------------------------|-------------------------|---|
|  |   |  | The Group's<br>effective<br>interest | Held by the<br>company | Held by<br>subsidiaries |   |
| Kai Shi Investment Group<br>Company Limited<br>("Kai Shi Investment")                              | British Virgin Island<br>("BVI")<br>29 November 2010      | USD1/USD50,000                                     | 100%                                 | 100%                   | —                       | Investment holding                              |
| China Kai Shi Group<br>Holdings Limited<br>("China Kai Shi")                                       | Hong Kong<br>20 April 2010                                | HK\$1/HK\$10,000                                   | 100%                                 | —                      | 100%                    | Investment holding                              |
| Tianjin Lion Window &<br>Door Co., Ltd.<br>萊恩(天津)門窗有限公司**<br>("Lion Tianjin")                      | PRC<br>22 April 2004                                      | USD2,880,000/<br>USD2,880,000                      | 100%                                 | —                      | 100%                    | Manufacture and<br>sale of doors<br>and windows |
| Dalian Kai Shi Property<br>Company Limited<br>大連市開世地產有限公司*<br>("Dalian Kai Shi")                   | PRC<br>7 April 2006                                       | RMB118,880,000/<br>RMB118,880,000                  | 100%                                 | —                      | 100%                    | Property<br>development                         |
| Dalian Kai Shi Construction &<br>Engineering Co., Ltd.<br>大連市開世建設工程有限公司*/*/*<br>("KS Engineering") | PRC<br>2 September 2010                                   | RMB6,000,000/<br>RMB6,000,000                      | 100%                                 | —                      | 100%                    | Earthwork<br>engineering                        |
| Trade Up Business Limited<br>("Remaining Holdco")  | BVI<br>12 May 2014  | USD1/USD50,000                                     | 100%                                 | 100%                   | —                       | Investment holding                              |
| Profit Gear Development Limited<br>("Profit Gear")   | Hong Kong<br>21 March 2014                                | HK\$1/HK\$10,000                                   | 100%                                 | —                      | 100%                    | Investment holding                              |
| Kai Shi Projects Holdings Group Limited<br>("Kai Shi Projects Holding")                            | BVI<br>11 June 2014                                       | USD1/USD50,000                                     | 100%                                 | 100%                   | —                       | Investment holding                              |
| Kai Shi Projects Development Group<br>Limited ("Kai Shi Projects<br>Development")                  | Hong Kong<br>19 June 2014                                 | HK\$1/HK\$10,000                                   | 100%                                 | —                      | 100%                    | Investment holding                              |

\* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

\*\* Lion Tianjin is a wholly foreign owned enterprise established in the PRC. The English translation of the company name is for reference only. The official name of the company is in Chinese.

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\*\*\* On 5 March 2014, the legal name of Kai Shi Earthwork Engineering Co, Ltd. (“大連市開世土石方工程有限公司”) was changed to Dalian Kai Shi Construction & Engineering Co., Ltd (“大連市開世建設工程有限公司”).

\*\*\*\* Subsequent to 30 June 2014, KSH and Kai Shi Hengsheng Planning (Dalian) Co., Ltd. (“開世恒盛策劃(大連)有限公司”\*) or “Kai Shi Hengsheng”) were respectively incorporated in the British Virgin Islands and the PRC with limited liability.

### 16 PROPERTIES UNDER DEVELOPMENT

(a) Properties under development in the consolidated statements of financial position comprise:

|   | As at 31 December |                |                | As at 30 June  |
|---|-------------------|----------------|----------------|----------------|
|   | 2011              | 2012           | 2013           | 2014           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Expected to be recovered within one year          |                   |                |                |                |
| Properties under development for sale             | -----             | 150,009        | -----          | -----          |
| Expected to be recovered after more than one year |                   |                |                |                |
| Properties held for future development for sale   | <u>172,033</u>    | <u>179,301</u> | <u>160,915</u> | <u>164,311</u> |
|   | <u>172,033</u>    | <u>329,310</u> | <u>160,915</u> | <u>164,311</u> |

(b) The analysis of carrying value of land included in properties under development is as follows:

|  | As at 31 December |                |                | As at 30 June  |
|--|-------------------|----------------|----------------|----------------|
|  | 2011              | 2012           | 2013           | 2014           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| In the PRC, with lease term of 50 years or more: | <u>169,280</u>    | <u>169,280</u> | <u>121,585</u> | <u>121,585</u> |

The Group was in the process of applying for the relevant land use rights certificates for certain properties held for future development for sale amounting to RMB168,324,000, RMB50,381,000, RMB50,381,000 and RMB50,381,000 as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

### 17 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on lease terms of 70 years.

All completed properties held for sale are stated at cost.

Completed properties held for sale that were pledged for certain bank loan granted to the Group were amounted to RMB163,390,000 and RMB138,818,000 as at 31 December 2011 and 2012 respectively (note 24). These completed properties were released from pledge in 2013 and no completed properties held for sale were pledged for bank loans granted to the Group since then.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

Certain other buildings included in completed properties held for sale with aggregate carrying values of RMB33,132,000 and RMB17,798,000 as at 31 December 2013 and 30 June 2014 were located on the land parcels which was pledged for the bank loan purpose. Pursuant to the Group's PRC legal advisors, the directors are of the view that such buildings are not regarded as part of the pledged assets for the bank loans. Such land parcels were released from pledge in 2013.

Completed properties held for sale in the consolidated statements of financial position comprise:

|   | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|---|--------------------------|----------------|----------------|----------------------|
|   | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Expected to be recovered within one year          | 201,900                  | 14,343         | 33,214         | 32,200               |
| Expected to be recovered after more than one year | 4,380                    | 146,045        | 312,062        | 290,496              |
|   | <u>206,280</u>           | <u>160,388</u> | <u>345,276</u> | <u>322,696</u>       |

During the six months ended 30 June 2014, certain completed properties held for sale was written down to their estimated net realisable value as a result of the downturn of property market in Lvshunkou, Dalian, the PRC and write-down of completed properties held for sale of RMB18,500,000 was recognised in "Cost of sales".

### 18 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

|                              | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|------------------------------|--------------------------|----------------|----------------|----------------------|
|                              | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                              | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Doors and windows for resale |                          |                |                |                      |
| Raw materials                | 2,713                    | 1,702          | 2,117          | 2,157                |
| Work in progress             | 118                      | 2              | 587            | —                    |
| Finished goods               | 6,763                    | 19,253         | 20,894         | 18,006               |
|                              | <u>9,594</u>             | <u>20,957</u>  | <u>23,598</u>  | <u>20,163</u>        |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

|                                     | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|-------------------------------------|--------------------------|----------------|----------------|----------------------|
|                                     | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                                     | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Carrying amount of inventories sold | <u>21,137</u>            | <u>17,492</u>  | <u>22,776</u>  | <u>15,329</u>        |

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**19 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

(a) Trade and other receivables, deposits and prepayments in the consolidated statement of financial position comprise:

|   | <b>The Group</b>         |                      |                      | <b>As at 30 June<br/>2014</b> |
|---|--------------------------|----------------------|----------------------|-------------------------------|
|   | <b>As at 31 December</b> |                      |                      |                               |
|   | <b>2011</b>              | <b>2012</b>          | <b>2013</b>          |                               |
|   | <i>RMB'000</i>           | <i>RMB'000</i>       | <i>RMB'000</i>       | <i>RMB'000</i>                |
| Trade receivables                                 |                          |                      |                      |                               |
| — Third parties                                   | <u>24,116</u>            | <u>9,590</u>         | <u>19,036</u>        | <u>32,742</u>                 |
|   | 24,116                   | 9,590                | 19,036               | 32,742                        |
| Deposits and prepayments                          | 8,990                    | 6,121                | 30,867               | 28,310                        |
| Other receivables                                 | 6,486                    | 8,472                | 12,577               | 14,697                        |
| Amounts due from subsidiaries                     | —                        | —                    | —                    | —                             |
| Gross amount due from customers for contract work | <u>—</u>                 | <u>—</u>             | <u>3,691</u>         | <u>5,024</u>                  |
|   | <u><u>39,592</u></u>     | <u><u>24,183</u></u> | <u><u>66,171</u></u> | <u><u>80,773</u></u>          |

|                               | <b>The Company</b>       |                       |                       | <b>As at 30 June<br/>2014</b> |
|-------------------------------|--------------------------|-----------------------|-----------------------|-------------------------------|
|                               | <b>As at 31 December</b> |                       |                       |                               |
|                               | <b>2011</b>              | <b>2012</b>           | <b>2013</b>           |                               |
|                               | <i>RMB'000</i>           | <i>RMB'000</i>        | <i>RMB'000</i>        | <i>RMB'000</i>                |
| Amounts due from subsidiaries | <u>26,540</u>            | <u>111,433</u>        | <u>132,543</u>        | <u>48,619</u>                 |
|                               | <u><u>26,540</u></u>     | <u><u>111,433</u></u> | <u><u>132,543</u></u> | <u><u>48,619</u></u>          |

Trade receivables are primarily related to sales of doors and windows and provision of earthwork engineering service. Proceeds are paid by installments in accordance with the terms of corresponding sales and purchase agreements.

As at 31 December 2011, 2012, 2013 and 30 June 2014, the amount of the Group's trade and other receivables expected to be recovered after more than one year were RMB2,980,000, RMB2,995,000, RMB3,054,000 and RMB5,674,000. All of the other trade and other receivables are expected to be recovered within one year.

In respect of sales to third parties, there is specific payment terms stated in the sales and purchase agreements. Normally, the Group does not obtain collateral from customers.

At each of the end of reporting periods, the Group considered whether impairment provision for doubtful debts for trade and other receivables need to be set up and no additional provision was considered necessary at each of the end of reporting periods. Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(k)(i)).

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### (b) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables, deposits and prepayments), based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

|                           | As at 31 December    |                     |                      | As at 30 June        |
|---------------------------|----------------------|---------------------|----------------------|----------------------|
|                           | 2011                 | 2012                | 2013                 | 2014                 |
|                           | <i>RMB'000</i>       | <i>RMB'000</i>      | <i>RMB'000</i>       | <i>RMB'000</i>       |
| Within 1 year (inclusive) | 23,377               | 9,176               | 17,328               | 31,063               |
| Over 1 year               | <u>739</u>           | <u>414</u>          | <u>1,708</u>         | <u>1,679</u>         |
|                           | <u><u>24,116</u></u> | <u><u>9,590</u></u> | <u><u>19,036</u></u> | <u><u>32,742</u></u> |

### (c) Impairment of trade receivables

No allowance for doubtful debts in respect of trade receivables was recognised as at 31 December 2011, 2012, 2013 and 30 June 2014.

### (d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

|  | As at 31 December    |                     |                      | As at 30 June        |
|--|----------------------|---------------------|----------------------|----------------------|
|  | 2011                 | 2012                | 2013                 | 2014                 |
|  | <i>RMB'000</i>       | <i>RMB'000</i>      | <i>RMB'000</i>       | <i>RMB'000</i>       |
| Neither past due nor impaired                  | ----- 20,906         | ----- 6,330         | ----- 15,669         | ----- 29,038         |
| Less than 1 month past due                     | 79                   | 285                 | 13                   | 838                  |
| Overdue more than 1 month but less than 1 year | 2,392                | 1,865               | 1,437                | 644                  |
| Overdue more than 1 year                       | <u>739</u>           | <u>1,110</u>        | <u>1,917</u>         | <u>2,222</u>         |
| Past due                                       | <u><u>3,210</u></u>  | <u><u>3,260</u></u> | <u><u>3,367</u></u>  | <u><u>3,704</u></u>  |
|  | <u><u>24,116</u></u> | <u><u>9,590</u></u> | <u><u>19,036</u></u> | <u><u>32,742</u></u> |

## 20 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work as at 31 December 2013 and 30 June 2014 were RMB3,691,000 and RMB1,333,000 respectively.

All of the gross amount due from customers for contract work at 31 December 2013 and 30 June 2014 is expected to be recovered within one year.

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**21 DEPOSIT IN AN ESCROW ACCOUNT**

As at 31 December 2011 and 2012, a deposit designated for settlement of a special dividend declared by the Company on 10 December 2011 of RMB25,000,000 was placed in an escrow account under the condition of a commercial bank in the PRC. Such deposit was subsequently released by the bank in November 2013.

**22 CASH AND CASH EQUIVALENTS**

**(a) Cash and cash equivalents comprise:**

|                          | <b>The Group</b>         |                |                |                      |
|--------------------------|--------------------------|----------------|----------------|----------------------|
|                          | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|                          | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                          | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Cash at bank and in hand | 116,534                  | 88,297         | 39,104         | 64,152               |
|                          | <b>The Company</b>       |                |                |                      |
|                          | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|                          | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                          | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Cash at bank and in hand | —                        | 2,655          | 554            | 558                  |

As at 31 December 2011, 2012, 2013 and 30 June 2014, bank balances denominated in RMB that were placed with banks in the PRC amounted to RMB115,766,000, RMB81,740,000, RMB36,037,000 and RMB55,327,000, respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the State Administration of Foreign Exchange of the PRC.

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**(b) Reconciliation of profit/(loss) before taxation to cash generated from/(used in) operations:**

|   | Note      | Years ended 31 December |                 |                 | Six months ended |                 |
|---|-----------|-------------------------|-----------------|-----------------|------------------|-----------------|
|   |           | 2011                    | 2012            | 2013            | 2013             | 30 June 2014    |
|   |           | RMB'000                 | RMB'000         | RMB'000         | RMB'000          | RMB'000         |
| Profit/(loss) before taxation   |           | 242,067                 | 53,505          | 15,902          | 7,664            | (56,912)        |
| Adjustments for:  |           |                         |                 |                 |                  |                 |
| — Depreciation  | 13        | 2,072                   | 2,406           | 2,815           | 1,398            | 1,390           |
| — Amortisation of lease prepayments   | 5(c)      | —                       | —               | 77              | —                | 78              |
| — Finance costs   | 5(a)      | 2,336                   | —               | 3,452           | 480              | 2,955           |
| — Net exchange (gain)/loss  | 5(c)      | (353)                   | (178)           | 373             | (178)            | 2               |
| — Interest income   |           | (357)                   | (363)           | (405)           | —                | (22)            |
| — (Gain)/loss on disposal of property, plant and equipment  | 5(c)      | (112)                   | —               | 3               | —                | —               |
| — Increase in fair value of investment properties   | 14(b)(ii) | (340)                   | (2,880)         | (10,501)        | (11,980)         | 44,300          |
| — Increase in fair value of transfer of completed properties held for sale to investment properties | 14(b)(ii) | —                       | (35,866)        | (2,835)         | —                | —               |
| — Write-down of completed properties held for sale  |           | —                       | —               | —               | —                | 18,500          |
| — Equity settled share-based payment expenses   | 28        | 1,540                   | 2,992           | 1,455           | 3,681            | 527             |
| Changes in working capital  |           |                         |                 |                 |                  |                 |
| Decrease/(increase) in inventories  |           | 1,719                   | (11,363)        | (2,641)         | 636              | 3,435           |
| (Increase)/decrease in properties under development   |           | (53,116)                | (143,244)       | 181,108         | 196,682          | (3,395)         |
| (Increase)/decrease in completed properties held for sale   |           | (153,637)               | 32,758          | (185,452)       | (184,512)        | 4,552           |
| Decrease/(increase) in trade and other receivables, deposits and prepayments                        |           | 6,341                   | 15,409          | (41,988)        | (45,636)         | (15,826)        |
| (Decrease)/increase in receipts in advance  |           | (2,517)                 | 9,113           | 1,305           | 1,774            | 1,221           |
| Increase/(decrease) in trade and other payables   |           | 55,557                  | (11,990)        | (26,191)        | (15,345)         | (12,433)        |
| Decrease in restricted cash   |           | 2,968                   | 60              | —               | —                | —               |
| Net advances from   |           |                         |                 |                 |                  |                 |
| Mr. Kai Chenglian (the “Controlling Shareholder”)   |           | 12,649                  | 17,521          | —               | 7,101            | —               |
| Net advances from other related parties   |           | (8,321)                 | (16,784)        | —               | —                | —               |
| Cash generated from/(used in) operations  |           | <u>108,496</u>          | <u>(88,904)</u> | <u>(63,523)</u> | <u>(38,235)</u>  | <u>(11,628)</u> |

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**23 PLEDGED DEPOSIT**

In November 2013, the Group placed a deposit of RMB25,000,000 to a commercial bank as pledge security against a bank loan granted to the Group. The balance of pledged deposit as at 31 December 2013 and 30 June 2014 were RMB25,000,000 and RMB25,000,000 respectively (note 24).

**24 BANK LOANS**

The analysis of the carrying amount of interest-bearing bank loans is as follows:

|             | <b>The Group</b>         |                |                |                      |
|-------------|--------------------------|----------------|----------------|----------------------|
|             | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|             | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|             | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Current     |                          |                |                |                      |
| — Secured   | <u>—</u>                 | <u>200,000</u> | <u>118,886</u> | <u>119,116</u>       |
| Non-Current |                          |                |                |                      |
| — Secured   | <u>200,000</u>           | <u>—</u>       | <u>—</u>       | <u>—</u>             |
|             |                          |                |                |                      |
|             | <b>The Company</b>       |                |                |                      |
|             | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|             | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|             | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Current     |                          |                |                |                      |
| — Secured   | <u>—</u>                 | <u>—</u>       | <u>23,886</u>  | <u>24,116</u>        |

The Group's bank loans were denominated in RMB and were repayable as follows:

|                                 | <b>The Group</b>         |                |                |                      |
|---------------------------------|--------------------------|----------------|----------------|----------------------|
|                                 | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|                                 | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                                 | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Within one year or on demand    | —                        | 200,000        | 118,886        | 119,116              |
| After 1 year but within 2 years | <u>200,000</u>           | <u>—</u>       | <u>—</u>       | <u>—</u>             |
|                                 | <u>200,000</u>           | <u>200,000</u> | <u>118,886</u> | <u>119,116</u>       |
|                                 |                          |                |                |                      |
|                                 | <b>The Company</b>       |                |                |                      |
|                                 | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|                                 | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                                 | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Within one year or on demand    | <u>—</u>                 | <u>—</u>       | <u>23,886</u>  | <u>24,116</u>        |
|                                 | <u>—</u>                 | <u>—</u>       | <u>23,886</u>  | <u>24,116</u>        |

|                    |  |
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|--------------------|--|

The bank loans bear interest ranging from 5.88% to 6.90%, 6.14% to 6.98%, 1.21% to 7.20% and 1.21% to 7.5% per annum for the years ended 31 December 2011, 2012, 2013 and six months ended 30 June 2014 respectively. The bank loans are secured by the following assets:

|                                    | <b>The Group</b>         |                |                |                      |
|------------------------------------|--------------------------|----------------|----------------|----------------------|
|                                    | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|                                    | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                                    | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Pledged deposit                    | —                        | —              | 25,000         | 25,000               |
| Completed properties held for sale | 163,390                  | 138,818        | —              | —                    |
| Investment properties              | —                        | —              | 21,640         | 20,140               |
| Property, plant and equipment      | —                        | —              | 2,327          | 2,230                |
|                                    | <u>163,390</u>           | <u>138,818</u> | <u>48,967</u>  | <u>47,370</u>        |
|                                    | <u>163,390</u>           | <u>138,818</u> | <u>48,967</u>  | <u>47,370</u>        |

|                 | <b>The Company</b>       |                |                |                      |
|-----------------|--------------------------|----------------|----------------|----------------------|
|                 | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|                 | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                 | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Pledged deposit | —                        | —              | 25,000         | 25,000               |
|                 | <u>—</u>                 | <u>—</u>       | <u>25,000</u>  | <u>25,000</u>        |
|                 | <u>—</u>                 | <u>—</u>       | <u>25,000</u>  | <u>25,000</u>        |

In addition to the above, the Group had certain bank loans amounting to RMB55,000,000 as at 31 December 2013 and 30 June 2014 secured by properties owned by a related party controlled by the Controlling Shareholder of the Company.

Certain of the Group's banking facilities are subject to fulfillment of covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly maintains its compliance with these covenants.

Further details of the Group's management of liquidity risk are set out in note 31(b). As at 31 December 2011, 2012, 2013 and 30 June 2014, none of the covenants relating to drawn down facilities had been breached.

## **25 RECEIPTS IN ADVANCE**

The amount represents sales proceeds received from customers in connection with the Group's sales of doors and windows and pre-sale of properties.

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**26 TRADE AND OTHER PAYABLES**

|   | <b>The Group</b>         |                |                |                      |
|---|--------------------------|----------------|----------------|----------------------|
|   | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|   | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Trade payables                              | 99,800                   | 89,258         | 63,580         | 50,899               |
| Other payables and accruals                 | 28,582                   | 23,973         | 26,626         | 29,062               |
| Amounts due to an immediate holding company | 25,000                   | 25,000         | 25,000         | 25,000               |
| Amounts due to Controlling Shareholder      | —                        | 489            | 132,616        | 190,173              |
| Amounts due to other related parties        | —                        | 12,887         | 12,499         | 12,618               |
|   | <u>153,382</u>           | <u>151,607</u> | <u>260,321</u> | <u>307,752</u>       |
|   |                          |                |                |                      |
|   | <b>The Company</b>       |                |                |                      |
|   | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|   | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
| Other payables and accruals                 | —                        | —              | 38             | 454                  |
| Amounts due to an immediate holding company | 25,000                   | 25,000         | 25,000         | 25,000               |
| Amounts due to Controlling Shareholder      | —                        | 997            | 963            | —                    |
| Amounts due to other related parties        | —                        | —              | —              | —                    |
|   | <u>25,000</u>            | <u>25,997</u>  | <u>26,001</u>  | <u>25,454</u>        |

The amounts due to Controlling Shareholder and related parties were unsecured, interest-free and had no fixed repayment terms.

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on invoice date, is as follows:

|                                | <b>As at 31 December</b> |                |                | <b>As at 30 June</b> |
|--------------------------------|--------------------------|----------------|----------------|----------------------|
|                                | <b>2011</b>              | <b>2012</b>    | <b>2013</b>    | <b>2014</b>          |
|                                | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>       |
|                                | Within 1 month           | 33,715         | 37,372         | 31,597               |
| Over 1 month but within 1 year | 48,010                   | 36,433         | 18,800         | 31,832               |
| Over 1 year                    | <u>18,075</u>            | <u>15,453</u>  | <u>13,183</u>  | <u>8,799</u>         |
| Total                          | <u>99,800</u>            | <u>89,258</u>  | <u>63,580</u>  | <u>50,899</u>        |

Included in trade and other payables and accruals of the Group were construction retention payables which were expected to be settled after more than one year. These construction retention payables were amounted to RMB14,976,000, RMB3,249,000, RMB3,264,000 and RMB2,254,000 as at 31 December 2011, 2012, 2013 and 30 June 2014. Details of the Group's management of liquidity risk are set out in note 31(b).

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### 27 EMPLOYEE RETIREMENT BENEFITS

#### Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18% and 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

### 28 EQUITY SETTLED SHARE BASED PAYMENTS

The purpose of the Pre-IPO Share Option Scheme is to aid the Company in retaining key and senior employees of the Group. 4 directors of the Company and 10 employees of the Group accepted the Pre-IPO Share Options granted by the Company on 24 June 2011 as follows:

| Date granted | Vesting date   | Expiry date   | Directors        | Number of IPO share options granted employees | Total             | Contractual life of options |
|--------------|--|---|------------------|---|-------------------|-----------------------------|
| 24 June 2011 | From the first anniversary of the Listing Date                           | The date immediately before the fifth anniversary of the Listing date | 1,900,000        | 880,000                                       | 2,780,000         | 5 years                     |
| 24 June 2011 | From the second anniversary of the Listing Date                          | The date immediately before the fifth anniversary of the Listing date | 1,900,000        | 880,000                                       | 2,780,000         | 5 years                     |
| 24 June 2011 | From the third anniversary of the Listing Date                           | The date immediately before the fifth anniversary of the Listing date | 1,900,000        | 880,000                                       | 2,780,000         | 5 years                     |
| 24 June 2011 | On the date immediately before the fifth anniversary of the Listing date | The date immediately before the fifth anniversary of the Listing date | 3,800,000        | 1,760,000                                     | 5,560,000         | 5 years                     |
|              |  |   | <u>9,500,000</u> | <u>4,400,000</u>                              | <u>13,900,000</u> |                             |

The options granted under the Pre-IPO Share Option Scheme is subject to the satisfactory appraisal by the board of directors of the relevant grantee's performance at the end of each financial year during the option period. The relevant director is required to abstain from making the appraisal if he/she is the relevant grantee. If the Board resolves that the performance of the relevant grantee is unsatisfactory in any particular year, the maximum percentage option exercisable for the next financial year shall lapse automatically and not be exercisable.

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(i) The number and weighted average exercise prices of Pre-IPO Share Option Scheme are as follows:

|  | As at 31 December |           |                | As at 30 June |
|--|-------------------|-----------|----------------|---------------|
|  | 2011              | 2012      | 2013           | 2014          |
|  | Number of         | Number of | Number of      | Number of     |
|  | options           | options   | options        | options       |
|  | '000              | '000      | '000           | '000          |
| Outstanding at the beginning of the year/period  | —                 | 13,700    | 13,700         | 11,300        |
| Granted during the year/period ( <i>Note</i> )   | 13,900            | —         | —              | —             |
| Forfeited during the year/period ( <i>Note</i> ) | (200)             | —         | (400)          | —             |
| Exercised during the year/period ( <i>Note</i> ) | —                 | —         | (2,000)        | —             |
|  | <u>—</u>          | <u>—</u>  | <u>(2,000)</u> | <u>—</u>      |
| Outstanding at the end of the year/period        | 13,700            | 13,700    | 11,300         | 11,300        |
| Exercisable at the end of the year/period        | <u>—</u>          | <u>—</u>  | <u>660</u>     | <u>3,320</u>  |

*Note:* Pursuant to the written resolution of the shareholders of the Company passed on 24 June 2011, the Company has conditionally adopted pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) and 13,900,000 share options were granted to the Company’s directors and employees.

During the years ended 31 December 2011 and 2013, certain participants of Pre-IPO Share Option Scheme resigned from the Group and the share options granted to the participants were therefore forfeited on the expiry of 3 months after the date of cessation of employment.

During the year ended 31 December 2013, 2,000,000 share options with exercise price at HK\$0.72 were exercised to subscribe the shares. The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.87.

The options outstanding had an exercise price of HK\$0.72, HK\$0.72, HK\$0.72, HK\$0.72 as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively and a weighted average remaining contractual life of 5 years, 4 years, 3 years and 2.5 years as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively.

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(ii) Fair value of share options and assumptions:

The fair value of services received in return for share options granted under the Pre-IPO Share Option Scheme is measured by reference to the fair value of share options granted. The estimated fair value of share options granted is measured based on a binomial option pricing model:

### Fair value of the share options and assumptions

|   |                  |
|---|------------------|
| Fair value per share at measurement date  | HK\$0.75         |
| Share price   | HK\$1.43         |
| Exercise price  | 80% of IPO Price |
| Expected volatility (expressed as weighted average volatility used in the modelling under binomial model) | 60%              |
| Option life   | 5 years          |
| Expected dividends  | 1%               |
| Risk-free interest rate   | 1.26%            |

The expected volatility is based on past few years historical price volatility of similar listed companies. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Bills/Notes.

Except for the conditions mentioned above, there were no other market conditions and service conditions associated with the share option grants.

## 29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

|                   | As at 31 December     |                       |                       | As at 30 June         |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                   | 2011                  | 2012                  | 2013                  | 2014                  |
|                   | <i>RMB'000</i>        | <i>RMB'000</i>        | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Provision for CIT | 93,960                | 86,353                | 85,107                | 84,004                |
| Provision for LAT | <u>62,281</u>         | <u>46,108</u>         | <u>45,159</u>         | <u>30,316</u>         |
|                   | <u><u>156,241</u></u> | <u><u>132,461</u></u> | <u><u>130,266</u></u> | <u><u>114,320</u></u> |

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**(b) Deferred tax assets and liabilities**

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

|   | Provision<br>for LAT<br><i>RMB'000</i> | Intra<br>group<br>unrealised<br>profit<br><i>RMB'000</i> | Fair-value<br>change on<br>investment<br>properties<br><i>RMB'000</i> | Accruals<br><i>RMB'000</i> | Tax losses<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|--|--|---|----------------------------|------------------------------|-------------------------|
| At 1 January 2011                       | 8,427                                  | 73   | (48,922)  | —                          | —                            | (40,422)                |
| Credited/(charged) to profit<br>or loss | <u>7,143</u>                           | <u>196</u>   | <u>(161)</u>  | <u>6,590</u>               | <u>—</u>                     | <u>13,768</u>           |
| At 31 December 2011                     | <u>15,570</u>                          | <u>269</u>   | <u>(49,083)</u>   | <u>6,590</u>               | <u>—</u>                     | <u>(26,654)</u>         |
| At 1 January 2012                       | 15,570                                 | 269  | (49,083)  | 6,590                      | —                            | (26,654)                |
| Credited/(charged) to profit<br>or loss | <u>(4,043)</u>                         | <u>(66)</u>  | <u>(12,487)</u>   | <u>(6,590)</u>             | <u>6,869</u>                 | <u>(16,317)</u>         |
| At 31 December 2012                     | <u>11,527</u>                          | <u>203</u>   | <u>(61,570)</u>   | <u>—</u>                   | <u>6,869</u>                 | <u>(42,971)</u>         |
| At 1 January 2013                       | 11,527                                 | 203  | (61,570)  | —                          | 6,869                        | (42,971)                |
| Credited/(charged) to profit<br>or loss | <u>(237)</u>                           | <u>(46)</u>  | <u>(6,999)</u>  | <u>—</u>                   | <u>630</u>                   | <u>(6,652)</u>          |
| Charged to reserves                     | <u>—</u>                               | <u>—</u>   | <u>(743)</u>  | <u>—</u>                   | <u>—</u>                     | <u>(743)</u>            |
| At 31 December 2013                     | <u>11,290</u>                          | <u>157</u>   | <u>(69,312)</u>   | <u>—</u>                   | <u>7,499</u>                 | <u>(50,366)</u>         |
| At 1 January 2014                       | 11,290                                 | 157  | (69,312)  | —                          | 7,499                        | (50,366)                |
| Credited/(charged) to profit<br>or loss | <u>(3,711)</u>                         | <u>(7)</u>   | <u>20,234</u>   | <u>4,625</u>               | <u>3,408</u>                 | <u>24,549</u>           |
| At 30 June 2014                         | <u>7,579</u>                           | <u>150</u>   | <u>(49,078)</u>   | <u>4,625</u>               | <u>10,907</u>                | <u>(25,817)</u>         |

**(c) Deferred tax liabilities not recognised**

As at 31 December 2011, 2012, 2013 and 30 June 2014, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB123,695,000, RMB141,816,000, RMB143,538,000 and RMB166,041,000. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

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**30    SHARE CAPITAL AND RESERVES**

**(a)    Movements in components of equity**

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years/periods during the Relevant Periods are set out below:

|  | Share<br>capital<br><i>RMB'000</i> | Share<br>premium<br><i>RMB'000</i> | Share-based<br>compensation<br>reserve<br><i>RMB'000</i> | Retained<br>profits<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|------------------------------------|------------------------------------|--|---------------------------------------|-------------------------|
| Balance at 4 January 2011<br>(date of incorporation)                               | —                                  | —                                  | —  | —                                     | —                       |
| Changes in equity for the<br>period from 4 January<br>2011 to 31 December<br>2011: |                                    |                                    |  |                                       |                         |
| Profit for the period  | —                                  | —                                  | —  | 25,000                                | 25,000                  |
| Total comprehensive income<br>for the period                                       | —                                  | —                                  | —  | 25,000                                | 25,000                  |
| Equity settled share-based<br>transactions   | —                                  | —                                  | 1,540  | —                                     | 1,540                   |
| Dividends declared in respect<br>of the current period                             | —                                  | —                                  | —  | (25,000)                              | (25,000)                |
| Balance at 31 December 2011<br>and 1 January 2012                                  | <u>—</u>                           | <u>—</u>                           | <u>1,540</u>   | <u>—</u>                              | <u>1,540</u>            |
| Changes in equity for the<br>year ended 31 December<br>2012:                       |                                    |                                    |  |                                       |                         |
| Profit for the year  | —                                  | —                                  | —  | (13,137)                              | (13,137)                |
| Total comprehensive income<br>for the year   | —                                  | —                                  | —  | (13,137)                              | (13,137)                |
| Issue of shares, net of listing<br>expenses  | 1,221                              | 95,475                             | —  | —                                     | 96,696                  |
| Capitalisation issue   | 3,663                              | (3,663)                            | —  | —                                     | —                       |
| Equity settled share-based<br>transactions   | —                                  | —                                  | 2,992  | —                                     | 2,992                   |
| Balance at 31 December 2012  | <u>4,884</u>                       | <u>91,812</u>                      | <u>4,532</u>   | <u>(13,137)</u>                       | <u>88,091</u>           |

**APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP**

|  | Share<br>capital<br><i>RMB'000</i> | Share<br>premium<br><i>RMB'000</i> | Share-based<br>compensation<br>reserve<br><i>RMB'000</i> | Exchange<br>reserve<br><i>RMB'000</i> | Accumulated<br>losses<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|------------------------------------|------------------------------------|--|---------------------------------------|---|-------------------------|
| Balance at 1 January 2013                      | 4,884                              | 91,812                             | 4,532  | —                                     | (13,137)                                | 88,091                  |
| Charges in equity for 2013:                    |                                    |                                    |  |                                       |   |                         |
| Loss for the year                              |                                    |                                    |  |                                       |   |                         |
| Total comprehensive income for the year        | —                                  | —                                  | —  | (2,629)                               | (4,850)                                 | (7,479)                 |
| Shares issued for exercise of share options    | 16                                 | 2,277                              | (1,150)  | —                                     | —                                       | 1,143                   |
| Forfeiture of share options                    | —                                  | —                                  | (146)  | —                                     | 146                                     | —                       |
| Equity settled share-based transactions        | —                                  | —                                  | 1,455  | —                                     | —                                       | 1,455                   |
| Balance at 31 December 2013 and 1 January 2014 | <u>4,900</u>                       | <u>94,089</u>                      | <u>4,691</u>   | <u>(2,629)</u>                        | <u>(17,841)</u>                         | <u>83,210</u>           |
| Charges in equity for 2014:                    |                                    |                                    |  |                                       |   |                         |
| Loss for the period                            |                                    |                                    |  |                                       |   |                         |
| Total comprehensive income for the period      | —                                  | —                                  | —  | 797                                   | (1,971)                                 | (1,174)                 |
| Equity settled share-based transactions        | —                                  | —                                  | 527  | —                                     | —                                       | 527                     |
| Balance at 30 June 2014                        | <u>4,900</u>                       | <u>94,089</u>                      | <u>5,218</u>   | <u>(1,832)</u>                        | <u>(19,812)</u>                         | <u>82,563</u>           |



During the year ended 31 December 2011, as part of the IPO Reorganisation, Dalian Kai Shi paid a cash consideration of RMB3,000,000 to Tianjin Da Zhong for the acquisition of the entire equity interests in Dalian Construction. For the purpose of this report, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

During the year ended 31 December 2011, as part of the IPO Reorganisation, Tianjin Lion paid a cash consideration of RMB42,570,000 and RMB430,000 to Tianjin Da Zhong and Tianjin Shan Di Materials Trading Company Limited\* (天津市山地物資貿易有限公司 或 “Tianjin Shan Di”) respectively for the acquisition of the entire equity interests in Dalian Kai Shi. For the purpose of this report, the consideration paid/payable is regarded as a deemed distribution to the Controlling Shareholder.

With the completion of the IPO Reorganisation on 8 April 2011, the capital represents the issued share capital of the Company comprising 1 share of HK\$0.01 each.

On 22 November 2011, pursuant to a written resolution of the shareholder, the authorised share capital was increased from 38,000,000 shares to 2,000,000,000 shares by the creation of an additional 1,962,000,000 ordinary shares, ranking *pari passu* with the existing ordinary shares of the Company in all respects.

The shares of the Company were listed on the Stock Exchange on 12 January 2012, with a total number of 600,000,000 shares, among which 150,000,000 shares (25% of the total number of shares of the Company) were issued to the public. The gross proceeds received by the Company from the public offering were approximately HK\$135,000,000.

In addition, 449,999,999 ordinary shares of HK\$0.01 each were issued at par value to the shareholders of the Company as of 12 January 2012 by way of capitalisation of HK\$4,500,000 (equivalent to RMB3,663,000) from the Company's share premium account.

During the year ended 31 December 2013, 2,000,000 share options were exercised by the directors and employees of the Group under the Pre-IPO Share Option Scheme. 2,000,000 ordinary shares with par value of HK\$0.01 each were issued at a consideration of HK\$1,440,000 (equivalent to RMB1,143,000), of which HK\$1,420,000 (equivalent to RMB1,127,000) were credited to the share premium account. Amount previously recognised in the share-based compensation reserve in connection with these exercised share options of RMB1,150,000 was also transferred to the share premium account.

*\* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

**(c) Reserves**

**(i) Share Premium**

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the Company.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

**(ii) Statutory reserve**

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of respective companies of the Group. PRC companies are required to transfer certain of their net profits (after offsetting prior year losses), as determined under the approval by the board of directors, to statutory general reserve.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-in/share capital by issuing new shares to shareholders proportionate to their existing percentage of equity interests provided that the balance after such issue is not less than 25% of the registered capital, and is non-distributable other than in liquidation.

**(iii) *Share-based compensation reserve***

Share-based compensation reserve comprises the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(s)(ii).

**(iv) *Exchange reserve***

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(w).

**(v) *Property revaluation reserve***

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies set out in note 1(h).

**(vi) *Distributability of reserves***

The Company has no reserve available for distribution to shareholders as at 31 December 2011, 2012, 2013 and 30 June 2014.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

**(vii) *Capital management***

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors the capital structures of its major operating subsidiary, namely Dalian Kai Shi, on the basis of asset liability ratio and current ratio. For this purpose, the Group defines asset liability ratio as the total liabilities to the total assets of the subsidiary, and current ratio as the total current assets to the total current liabilities of the subsidiary.

**(viii) *Dividends***

During the year ended 31 December 2011, the Group has declared a special dividend of RMB25,000,000 to the shareholders of the Company.

During the years ended 31 December 2012 and 2013 and six months ended 2014, the Company has not declared any dividend to the shareholders of the Company.

**31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to honour its contractual obligations, and arises principally from the Group's trade and other receivables. The Group maintains a defined credit policy and exposures to these credit risks are monitored on an ongoing basis.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record significant bad debts losses during the years ended 31 December 2011, 2012 and 2013 and six months ended 30 June 2014.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any financial guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Details of maturity analysis for financial liabilities are disclosed in notes 24 and 26.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

### (c) Interest rate risk

The Group's interest rate risk arises primarily from its bank loans, which expose the Group to interest rate risk. The interest rates of the Group's bank loans are disclosed in note 24.

#### (i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

|   | As at 31 December |                |                | As at 30 June  |
|---|-------------------|----------------|----------------|----------------|
|   | 2011              | 2012           | 2013           | 2014           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Net fixed rate borrowing:</b>                                  |                   |                |                |                |
| Bank loans  | —                 | —              | 95,000         | 95,000         |
|   | —                 | —              | 95,000         | 95,000         |
| <b>Variable rate borrowing:</b>                                   |                   |                |                |                |
| Bank loans  | 200,000           | 200,000        | 23,886         | 24,116         |
|   | 200,000           | 200,000        | 23,886         | 24,116         |
| Total net borrowings  | <u>200,000</u>    | <u>200,000</u> | <u>118,886</u> | <u>119,116</u> |
| Net fixed rate borrowings as a percentage of total net borrowings | <u>—</u>          | <u>—</u>       | <u>80%</u>     | <u>80%</u>     |

#### (ii) Sensitivity analysis

At 31 December 2011, 2012, 2013 and 30 June 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/(increased) the Group's profit after tax and retained profits by approximately RMB219,000, RMB325,000, RMB(151,000) and RMB(325,000) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

### (d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

The Group currently does not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies during the Relevant Periods and the impact of foreign currency risk on the Group's operation is minimal.

**(e) Fair value**

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011, 2012, 2013 and 30 June 2014.

### 32 COMMITMENTS

**(a) At 31 December 2011, 2012, 2013 and 30 June 2014, capital commitments on land and development costs outstanding not provided for in the Financial Information were as follows:**

|                                 | As at 31 December |                |                | As at 30 June  |
|---------------------------------|-------------------|----------------|----------------|----------------|
|                                 | 2011              | 2012           | 2013           | 2014           |
|                                 | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Contracted but not provided for | <u>5,677</u>      | <u>25,220</u>  | <u>9,006</u>   | <u>6,077</u>   |

**(b) Operating lease commitment**

At 31 December 2011, 2012, 2013 and 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                 | As at 31 December |                |                | As at 30 June  |
|---------------------------------|-------------------|----------------|----------------|----------------|
|                                 | 2011              | 2012           | 2013           | 2014           |
|                                 | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year                   | 845               | 1,879          | 1,722          | 1,223          |
| After 1 year but within 5 years | <u>—</u>          | <u>2,420</u>   | <u>769</u>     | <u>188</u>     |
|                                 | <u>845</u>        | <u>4,299</u>   | <u>2,491</u>   | <u>1,411</u>   |

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 3 years to reflect market rentals. None of the leases includes contingent rentals.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

### 33 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions during the Relevant Periods up to the date that party ceased to be a related party, if applicable.

During the Relevant Periods, the directors are of the view that the following are related parties of the companies of the Group:

| Name of party   | Relationship   |
|---|--|
| Mr. Kai Chenglian   | A Director and the Controlling Shareholder                 |
| Mr. Kai Xiaojiang   | A Director   |
| Ms. Hu Shicui   | A close family member of Mr. Kai Chenglian                 |
| Mr. Hu Shiliang   | A close family member of Mr. Kai Chenglian                 |
| Tianjin Da Zhong Group Co., Ltd.*<br>(“天津大眾集團有限公司” or “Tianjin Da Zhong”)   | Effectively 100% owned by<br>the Controlling Shareholder   |
| Beihai Sunshine (Dalian) Corporation*<br>(“北海陽光(大連)有限公司” or “Beihai Sunshine”)  | Effectively 100% owned by<br>the Controlling Shareholder   |
| Mudhouse Wine (Dalian) Corporation Limited*<br>(“泥房子酒業(大連)有限公司” or “Mudhouse Wine”)   | Effectively 70% owned by<br>the Controlling Shareholder    |
| Tianjin Gangwan Property Management<br>Company Limited (Dalian branch)*<br>(“天津市港灣物業管理有限公司大連分公司” or<br>“Gangwan Property Management”) | Effectively 96.67% owned by<br>the Controlling Shareholder |
| Dalian Kai Shi Wine Co., Ltd.*<br>(“大連開世酒業有限公司”)  | Effectively 100% owned by Ms. Hu Shicui                    |
| Australia New Zealand Investment and<br>Development Group Limited<br>(“澳洲新西蘭投資發展集團有限公司” or “Australia New<br>Zealand”)                | Effectively 100% owned by<br>the Controlling Shareholder   |

\* The English translation of the companies' names are for reference only. The official names of these companies are in Chinese.

#### (a) Transactions

|   | Note | As at 31 December |                 | As at 30 June   |                 |
|---|------|-------------------|-----------------|-----------------|-----------------|
|   |      | 2011<br>RMB'000   | 2012<br>RMB'000 | 2013<br>RMB'000 | 2014<br>RMB'000 |
| Sales of doors and<br>windows           |      |                   |                 |                 |                 |
| — Beihai Sunshine                       |      | <u>8,638</u>      | —               | <u>2,513</u>    | —               |
| Earthwork engineering<br>service income |      |                   |                 |                 |                 |
| — Beihai Sunshine                       | (i)  | —                 | <u>3,286</u>    | <u>8,860</u>    | <u>4,098</u>    |
| Rental expense                          |      |                   |                 |                 |                 |
| — Tianjin Da Zhong                      | (ii) | <u>720</u>        | <u>720</u>      | <u>720</u>      | <u>360</u>      |

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

|                    | <i>Note</i>  | As at 31 December |                |                | As at 30 June  |
|--------------------|--------------|-------------------|----------------|----------------|----------------|
|                    |              | 2011              | 2012           | 2013           | 2014           |
|                    |              | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Rental income      |              |                   |                |                |                |
| — Beihai Sunshine  | <i>(iii)</i> | 324               | 324            | 324            | 172            |
| — Mudhouse Wine    | <i>(iv)</i>  | 319               | 319            | 319            | 169            |
| — Gangwan Property | <i>(v)</i>   | <u>1,072</u>      | <u>1,608</u>   | <u>1,606</u>   | <u>1,500</u>   |

(i) On 11 December 2012, Kai Shi Construction & Engineering and Beihai Sunshine entered into agreements for eight projects in connection with the provision of the works by Kai Shi Construction & Engineering to Beihai Sunshine with an aggregate contracted sum of RMB12,601,000, which had been announced by the Group on 11 December 2012. For the years ended 31 December 2012 and 2013, two and six projects had been completed and revenue of RMB3,286,000 and RMB8,860,000 respectively were recognised by Kai Shi Construction & Engineering.

(ii) On 1 June 2007, Lion Tianjin entered into a lease agreement with Tianjin Da Zhong, pursuant to which Lion Tianjin leased from Tianjin Da Zhong the production premises with a total floor area of 5,452.83 sq.m., at no cost (“Lion Tianjin Lease”).

Subsequently, Tianjin Da Zhong and Lion Tianjin entered into a lease agreement supplemental to the Lion Tianjin Lease, pursuant to which it was agreed between the parties that commencing from 1 January 2011, Lion Tianjin shall pay yearly rental of RMB720,000. The lease was extended on 1 June 2012 and will expire on 31 May 2015. For the years ended 31 December 2011, 2012, 2013 and six months ended 30 June 2014, RMB720,000, RMB720,000, RMB720,000 and RMB360,000 have been recognised as rental expense respectively.

(iii) On 1 December 2009, Dalian Kai Shi entered into a lease agreement with Beihai Sunshine from 1 December 2009 to 30 November 2010 at yearly rental of RMB674,000, which was subsequently revised to the yearly rental of RMB343,000 for the period from 1 December 2010 to 30 November 2013. On 24 December 2013, Dalian Kai Shi renewed the lease agreement with Beihai Sunshine for a term of three years commencing from 1 January 2014 to 31 December 2016 at yearly rental of RMB343,200.

(iv) On 1 December 2009, Dalian Kai Shi entered into a lease agreement with Mudhouse Wine, pursuant to which Dalian Kai Shi leased a warehouse for a term of three years commencing from 1 December 2009 to 30 November 2012 at yearly rental of RMB134,000, which was subsequently revised to the yearly rental of RMB338,000 for the period from 1 January 2011 to 31 December 2013. On 24 December 2013, Dalian Kai Shi renewed the lease agreement with Mudhouse Wine for a term of three years commencing from 1 January 2014 to 31 December 2016 at yearly rental of RMB338,000.

(v) On 8 April 2011, Dalian Kai Shi, entered into an agreement with Gangwan Property Management pursuant to which Dalian Kai Shi leased certain investment properties to Gangwan Property Management for a term of one year commencing from 1 May 2011 at a yearly rental of RMB1,000,000. Subsequently, the term was revised to commence from 1 May 2011 to 31 December 2013 and the rental was revised to RMB670,000 for the period from 1 May 2011 to 31 December 2011, RMB1,534,000 and RMB2,334,000 for the two years ended 31 December 2012 and 2013 respectively.

On 24 December 2013, Dalian Kai Shi renewed the lease agreement with Gangwan Property Management for a term of one year from 1 January 2014 to 31 December 2014 at yearly rental of RMB3,000,000.

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

### (b) Balances with related parties

In addition to the financing arrangements with related parties disclosed in note 33(c) of the Financial Information, the Group had the following balances with related parties at the end of the reporting period:

- (i) As at 31 December 2011, 2012, 2013 and 30 June 2014, the Company had dividend payable of RMB25,000,000, which was declared on 10 December 2011, to its immediate holding company, Yi Ming Jia Lin Holdings Company Limited.

### (c) Financing arrangements

|                     |                | <b>Amounts owed by the Group to<br/>related parties as at 31 December</b> |                |                | <b>As at 30 June</b> |
|---------------------|----------------|---|----------------|----------------|----------------------|
|                     |                | <b>As at 31 December</b>  |                |                | <b>2014</b>          |
| <i>Note</i>         | <b>2011</b>    | <b>2012</b>   | <b>2013</b>    | <b>2014</b>    |                      |
|                     | <i>RMB'000</i> | <i>RMB'000</i>  | <i>RMB'000</i> | <i>RMB'000</i> |                      |
| Amount due to       |                |   |                |                |                      |
| Controlling         |                |   |                |                |                      |
| Shareholder         | <i>(i)</i>     | —   | 489            | 132,616        | 190,173              |
| Amount due to other |                |   |                |                |                      |
| related parties     | <i>(ii)</i>    | —   | 12,887         | 12,499         | 12,618               |

*Notes:*

- (i) During the year ended 31 December 2012, the Group received advances from a director of RMB86,291,000 and repaid RMB85,803,000. As at 31 December 2013, the Group had an amount due to Controlling Shareholder of RMB489,000, which is included in “Trade and other payables”.

During the year ended 31 December 2013, the Group received advances from a director of RMB169,020,000 and repaid RMB36,893,000. As at 31 December 2013, the Group had an amount due to Controlling Shareholder of RMB132,616,000, which is included in “Trade and other payables”.

During the six months ended 30 June 2014, the Group received advances from the Controlling shareholders of RMB161,948,000 and repaid RMB104,391,000. As at 30 June 2014, the Group had an amount due to Controlling Shareholder of RMB190,173,000, which is included in “Trade and other payables”.

The outstanding balances are unsecured, interest-free and have no fixed repayment terms.

- (ii) In October 2012, the Group received an advance of RMB12,887,000 from Australia New Zealand. As at 31 December 2012, 2013 and 30 June 2014, the Group had a balance with Australia New Zealand of RMB12,887,000, RMB12,496,000 and RMB12,618,000, which are included in “Trade and other payables”. The outstanding balances are unsecured, interest-free and has no fixed repayment terms.

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### (d) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employee as disclosed in note 8 is as follows:

|   | Year ended 31 December |                |                | Six months ended 30 June |                |
|---|------------------------|----------------|----------------|--------------------------|----------------|
|   | 2011                   | 2012           | 2013           | 2013                     | 2014           |
|   | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>           | <i>RMB'000</i> |
| Short-term employee benefits                | 1,074                  | 1,569          | 1,592          | 730                      | 730            |
| Equity settled share-based payment Expenses | 1,238                  | 2,367          | 1,120          | 745                      | 419            |
| Contributions to retirement benefit Scheme  | 74                     | 177            | 197            | 93                       | 99             |
| <b>Total</b>                                | <b>2,386</b>           | <b>4,113</b>   | <b>2,909</b>   | <b>1,568</b>             | <b>1,248</b>   |

Total remuneration is included in "staff costs" (note 5(b)).

### 34 INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES

The statutory financial statements of the companies comprising the Group which were subject to audit during the Relevant Periods were either prepared in accordance with HKFRSs issued by the HKICPA or the PRC GAAP issued by the Ministry of Finance of the PRC. These financial statements for the Relevant Periods were audited by the respective statutory auditors as indicated below:

| Name of company | Financial period  | Statutory auditors   |
|-----------------|---|--|
| China Kai Shi   | Period from 20 April 2010<br>(date of incorporation) to<br>31 December 2011, Years ended<br>31 December 2012 and 2013 | KPMG   |
| Lion Tianjin    | Years ended 31 December 2011,<br>2012 and 2013  | Tianjin Shulun Pan Certified<br>Public Accountants Co., Ltd.<br>天津立信會計師事務所有限公司 |
| Dalian Kai Shi  | Years ended 31 December, 2012 and<br>2013   | Liaoning Zhengwei Certified Public<br>Accountants Co., Ltd.<br>遼寧正威會計師事務所有限公司  |
| KS Engineering  | Year ended 31 December 2012   | Dalian Ruihua Certified Public<br>Accountants Co., Ltd.<br>大連瑞華會計師事務所有限公司      |

**35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

At 31 December 2011, 2012, 2013 and 30 June 2014, the directors consider the immediate parent and ultimate controlling party of the Group to be Yi Ming Jia Lin Holding Company Limited and Mr. Kai Chenglian respectively. Yi Ming Jia Lin Holdings Company Limited, which is incorporated in BVI, does not produce financial statements available for public use.

**36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS**

Up to the date of issue of this Financial Information, the IASB has issued a few amendments and a new standard which are not yet effective for the Relevant Periods and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

|  | <b>Effective for accounting periods beginning on or after</b> |
|--|---|
| Annual improvements to IFRSs 2010–2012 cycles  | 1 July 2014   |
| Annual improvements to IFRSs 2010–2013 cycles  | 1 July 2014   |
| IFRS 9, <i>Financial instruments</i>   | 1 January 2015  |
| Amendments to IFRS 9, Financial instruments and IFRS 7,<br>Financial instruments: Disclosures — <i>Mandatory effective date and transition disclosures</i> | 1 January 2015  |

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operation and financial position.

**37 EVENT AFTER REPORTING DATE**

- (a) **In preparation for the distribution in specie of KSH by the Company, the Group underwent the reorganisation (the “Asset Reorganisation”) such that KSH will hold the property development business, which will be distributed to the Company’s shareholders and the Group’s businesses in Sales of doors and windows and provision of earthwork engineering service will remain in the Group. The details of Asset Reorganisation are as follows:**

On 12 May 2014, Trade Up Business Limited (the “Remaining Holdco”) was incorporated in the BVI with issued share capital of US\$1.

On 21 March 2014, Profit Gear Development Limited (“Profit Gear”), a wholly-owned subsidiary of the Remaining Holdco, was incorporated in Hong Kong with issued share capital of HK\$1.

On 31 October 2014, Kai Shi Holdings Company Limited (“KSH”) was incorporated in the BVI with issued share capital of US\$0.01.

On 8 December 2014, Dalian Kai Shi transferred all its equity interests in KS Engineering to Lion Tianjin for a consideration of RMB2,000,000.

On 9 December, Lion Tianjin transferred all its equity interests (27.66% of the total paid-in capital) in Dalian Kai Shi to Kai Shi Hengsheng for a consideration of RMB50,500,000.

On 8 December 2014, China Kai Shi transferred all its equity interests in Lion Tianjin, which together with its subsidiary, KS Engineering, which are engaged in manufacture and sale of doors and windows and earthwork engineering (“the Retained Businesses”), to Profit Gear, a wholly-owned subsidiary of the Remaining Holdco for a

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

consideration of RMB4,000,000. The Company, the Remaining Holdco and its three subsidiaries, Profit Gear, Lion Tianjin and KS Engineering (Profit Gear, Lion Tianjin and KS Engineering, together known as the “Remaining Group Entities”) are known as the “Remaining Group”.

On 19 December 2014, KSH issued and allotted 601,999,999 shares to the Company in exchange for the Company’s entire equity interests in Kai Shi Investment, together with their respective subsidiaries which are principally engaged in property development (“Distributed Business”). KSH and Kai Shi Investment and its subsidiaries are known as the “KSH Group”.

Subsequent to the date of this report, the Company will distribute all of its shares in KSH in specie to the Company’s shareholders on the basis of one share in KSH for every share in the Company. The distribution of KSH’s shares in specie is subject to the approval of the independent shareholders of the Company.

The combined results of the KSH Group have been prepared using the financial information of the Distributed Business, under the common control of the Company as if the current group structure of KSH Group had been in existence throughout the Relevant Periods. The combined financial positions of the KSH Group have been prepared to present the assets and liabilities of the Distributed Business as if the current group structure of KSH Group had been in existence as at these dates.

The combined results of the Remaining Group Entities have been prepared using the financial information of the Retained Businesses, under the common control of the Company as if the current group structure of the Remaining Group Entities had been in existence throughout the Relevant Periods. The combined financial positions of the Remaining Group Entities have been prepared to present the assets and liabilities of the Retained Businesses as if the current group structure of the Remaining Group Entities had been in existence as at these dates.

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(b) The reconciliation of the results/combined results and assets and liabilities/combined financial positions of the Group to the Company, the KSH Group and Remaining Group Entities as follows:

|                              | The<br>Company  | The KSH<br>Group | Remaining<br>Group<br>Entities | Eliminations<br><i>(note)</i> | The<br>Group   |
|------------------------------|-----------------|------------------|--------------------------------|-------------------------------|----------------|
|                              | <i>RMB'000</i>  | <i>RMB'000</i>   | <i>RMB'000</i>                 | <i>RMB'000</i>                | <i>RMB'000</i> |
| <b>For the year ended</b>    |                 |                  |                                |                               |                |
| <b>31 December</b>           |                 |                  |                                |                               |                |
| <b>2011:</b>                 |                 |                  |                                |                               |                |
| Turnover                     | <u>—</u>        | <u>481,269</u>   | <u>29,819</u>                  | <u>(5,778)</u>                | <u>505,310</u> |
| Profit/(loss) for the year   | <u>25,000</u>   | <u>198,341</u>   | <u>44,519</u>                  | <u>(117,434)</u>              | <u>150,426</u> |
| <b>At 31 December</b>        |                 |                  |                                |                               |                |
| <b>2011:</b>                 |                 |                  |                                |                               |                |
| Total assets                 | <u>26,540</u>   | <u>762,064</u>   | <u>51,151</u>                  | <u>(101,930)</u>              | <u>737,825</u> |
| Total liabilities            | <u>25,000</u>   | <u>540,459</u>   | <u>76,816</u>                  | <u>(94,508)</u>               | <u>547,767</u> |
| Net assets/<br>(liabilities) | <u>1,540</u>    | <u>221,605</u>   | <u>(25,665)</u>                | <u>(7,422)</u>                | <u>190,058</u> |
| <b>For the year ended</b>    |                 |                  |                                |                               |                |
| <b>31 December</b>           |                 |                  |                                |                               |                |
| <b>2012:</b>                 |                 |                  |                                |                               |                |
| Turnover                     | <u>—</u>        | <u>80,016</u>    | <u>25,687</u>                  | <u>—</u>                      | <u>105,703</u> |
| (Loss)/profit for the year   | <u>(13,137)</u> | <u>35,680</u>    | <u>1,683</u>                   | <u>6,815</u>                  | <u>31,041</u>  |
| <b>At 31 December</b>        |                 |                  |                                |                               |                |
| <b>2012:</b>                 |                 |                  |                                |                               |                |
| Total assets                 | <u>114,088</u>  | <u>868,934</u>   | <u>80,446</u>                  | <u>(195,039)</u>              | <u>868,429</u> |
| Total liabilities            | <u>25,997</u>   | <u>625,137</u>   | <u>90,938</u>                  | <u>(194,430)</u>              | <u>547,642</u> |
| Net assets/<br>(liabilities) | <u>88,091</u>   | <u>243,797</u>   | <u>(10,492)</u>                | <u>(609)</u>                  | <u>320,787</u> |
| <b>For the six months</b>    |                 |                  |                                |                               |                |
| <b>ended 30 June</b>         |                 |                  |                                |                               |                |
| <b>2013</b>                  |                 |                  |                                |                               |                |
| <b>(unaudited):</b>          |                 |                  |                                |                               |                |
| Turnover                     | <u>—</u>        | <u>16,194</u>    | <u>31,334</u>                  | <u>—</u>                      | <u>47,528</u>  |
| (Loss)/profit for the period | <u>(2,810)</u>  | <u>(222)</u>     | <u>5,064</u>                   | <u>71</u>                     | <u>2,103</u>   |

## APPENDIX II

## FINANCIAL INFORMATION OF THE FORMER GROUP

|                                 | The<br>Company | The KSH<br>Group | Remaining<br>Group<br>Entities | Eliminations<br><i>(note)</i> | The<br>Group    |
|---------------------------------|----------------|------------------|--------------------------------|-------------------------------|-----------------|
|                                 | <i>RMB'000</i> | <i>RMB'000</i>   | <i>RMB'000</i>                 | <i>RMB'000</i>                | <i>RMB'000</i>  |
| <b>At 30 June 2013</b>          |                |                  |                                |                               |                 |
| <b>(unaudited):</b>             |                |                  |                                |                               |                 |
| Total assets                    | <u>111,368</u> | <u>828,796</u>   | <u>101,373</u>                 | <u>(137,516)</u>              | <u>904,021</u>  |
| Total liabilities               | <u>25,541</u>  | <u>582,547</u>   | <u>106,802</u>                 | <u>(136,978)</u>              | <u>577,912</u>  |
| Net assets/<br>(liabilities)    | <u>85,827</u>  | <u>246,249</u>   | <u>(5,429)</u>                 | <u>(538)</u>                  | <u>326,109</u>  |
| <b>For the year ended</b>       |                |                  |                                |                               |                 |
| <b>31 December</b>              |                |                  |                                |                               |                 |
| <b>2013:</b>                    |                |                  |                                |                               |                 |
| Turnover                        | <u>—</u>       | <u>39,795</u>    | <u>61,113</u>                  | <u>—</u>                      | <u>100,908</u>  |
| (Loss)/profit for the<br>year   | <u>(4,850)</u> | <u>4,417</u>     | <u>6,584</u>                   | <u>139</u>                    | <u>6,290</u>    |
| <b>At 31 December</b>           |                |                  |                                |                               |                 |
| <b>2013:</b>                    |                |                  |                                |                               |                 |
| Total assets                    | <u>133,097</u> | <u>804,085</u>   | <u>136,869</u>                 | <u>(162,167)</u>              | <u>911,884</u>  |
| Total liabilities               | <u>49,887</u>  | <u>555,780</u>   | <u>137,778</u>                 | <u>(161,698)</u>              | <u>581,747</u>  |
| Net assets/<br>(liabilities)    | <u>83,210</u>  | <u>248,305</u>   | <u>(909)</u>                   | <u>(469)</u>                  | <u>330,137</u>  |
| <b>For the six months</b>       |                |                  |                                |                               |                 |
| <b>ended 30 June</b>            |                |                  |                                |                               |                 |
| <b>2014:</b>                    |                |                  |                                |                               |                 |
| Turnover                        | <u>—</u>       | <u>13,504</u>    | <u>33,563</u>                  | <u>—</u>                      | <u>47,067</u>   |
| (Loss)/profit for the<br>period | <u>(1,969)</u> | <u>(37,915)</u>  | <u>5,957</u>                   | <u>19</u>                     | <u>(33,908)</u> |
| <b>At 30 June 2014:</b>         |                |                  |                                |                               |                 |
| Total assets                    | <u>132,133</u> | <u>790,057</u>   | <u>137,990</u>                 | <u>(177,022)</u>              | <u>883,158</u>  |
| Total liabilities               | <u>49,570</u>  | <u>496,984</u>   | <u>132,943</u>                 | <u>(93,618)</u>               | <u>585,879</u>  |
| Net assets/<br>(liabilities)    | <u>82,563</u>  | <u>293,073</u>   | <u>5,047</u>                   | <u>(83,404)</u>               | <u>297,279</u>  |

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

*Notes:*

- (i) The elimination adjustments for turnover for the year/period mainly represent sales of RMB5,778,000 of doors and windows from the Remaining Group Entities to the KSH Group in 2011.
- (ii) The elimination adjustments for profit/(loss) for the year/period mainly represents: (1) dividends declared by KSH and its subsidiaries to a subsidiary of the Remaining Group and the Company of RMB44,316,000 and RMB26,539,000 respectively in 2011 and dividend of RMB41,442,000 from a subsidiary of the Remaining Group to the KSH Group and (2) unrealised profit and deferred tax effect of intercompany transactions with amounts of RMB590,000, RMB199,000, RMB139,000 RMB71,000 (unaudited) and RMB19,000 for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2013 and 2014 respectively.
- (iii) The elimination adjustments for total assets and total liabilities mainly represent: (1) intercompany balance between the Remaining Group and the KSH Group with aggregate amounts of RMB99,276,000, RMB198,490,000, RMB153,729,000 and RMB89,796,000 as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively, and (2) capitalisation issue of RMB82,956,000 for the six months ended 30 June 2014.
- (iv) The elimination adjustment for net assets mainly represents the (1) unrealised profit and deferred tax effect of intercompany transactions with amounts of RMB7,422,000, RMB609,000, RMB469,000 and RMB448,000 for the years ended 31 December 2011, 2012, 2013 and the six months ended 30 June 2014 and (2) capitalisation issue of RMB82,956,000 for the six months ended 30 June 2014.

**APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP**

(c) The combined financial information of the KSH Group for the Relevant Periods is disclosed as follows:

*Combined statements of profit or loss for the Relevant Periods*

|  | Years ended 31 December |                 |                 | Six months ended 30 June       |                 |
|--|-------------------------|-----------------|-----------------|--------------------------------|-----------------|
|  | 2011<br>RMB'000         | 2012<br>RMB'000 | 2013<br>RMB'000 | 2013<br>RMB'000<br>(unaudited) | 2014<br>RMB'000 |
| <b>Turnover</b>  | 481,269                 | 80,016          | 39,795          | 16,194                         | 13,504          |
| Cost of sales  | <u>(202,120)</u>        | <u>(33,023)</u> | <u>(18,859)</u> | <u>(9,210)</u>                 | <u>(23,623)</u> |
| <b>Gross profit/(loss)</b>   | 279,149                 | 46,993          | 20,936          | 6,984                          | (10,119)        |
| Other income   | 41,442                  | —               | —               | —                              | —               |
| Selling and distribution expenses  | (16,017)                | (14,095)        | (8,962)         | (5,785)                        | (1,712)         |
| Administrative expenses  | <u>(15,234)</u>         | <u>(14,597)</u> | <u>(12,090)</u> | <u>(5,188)</u>                 | <u>(5,443)</u>  |
| <b>Profit/(loss) from operations before changes in fair value of investment properties</b>   | 289,340                 | 18,301          | (116)           | (3,989)                        | (17,274)        |
| Increase/(decrease) in fair value of investment properties                                   | 340                     | 2,880           | 10,501          | 8,490                          | (44,300)        |
| Fair value gain upon transfer of completed properties held for sale to investment properties | <u>—</u>                | <u>35,866</u>   | <u>2,835</u>    | <u>—</u>                       | <u>—</u>        |
| <b>Profit/(loss) from operations after changes in fair value of investment properties</b>    | 289,680                 | 57,047          | 13,220          | 4,501                          | (61,574)        |
| Finance income   | 327                     | 501             | 185             | 109                            | 9               |
| Finance costs  | <u>(2,216)</u>          | <u>(36)</u>     | <u>(265)</u>    | <u>(9)</u>                     | <u>(12)</u>     |
| <b>Profit/(loss) before taxation</b>   | 287,791                 | 57,512          | 13,140          | 4,601                          | (61,577)        |
| Income tax   | <u>(89,450)</u>         | <u>(21,832)</u> | <u>(8,723)</u>  | <u>(4,823)</u>                 | <u>23,662</u>   |
| <b>Profit/(loss) for the year/period</b>   | <u>198,341</u>          | <u>35,680</u>   | <u>4,417</u>    | <u>(222)</u>                   | <u>(37,915)</u> |
| <b>Attributable to:</b>  |                         |                 |                 |                                |                 |
| Equity shareholders of the KSH   | <u>198,341</u>          | <u>35,680</u>   | <u>4,417</u>    | <u>(222)</u>                   | <u>(37,915)</u> |
| <b>Profit/(loss) for the year/period</b>   | <u>198,341</u>          | <u>35,680</u>   | <u>4,417</u>    | <u>(222)</u>                   | <u>(37,915)</u> |

|                    |  |
|--------------------|--|
| <b>APPENDIX II</b> | <b>FINANCIAL INFORMATION OF THE FORMER GROUP</b> |
|--------------------|--|

*Combined statements of profit or loss and other comprehensive income for the Relevant Periods*

|   | Years ended 31 December |                        |                        | Six months ended 30 June              |                        |
|---|-------------------------|------------------------|------------------------|---------------------------------------|------------------------|
|   | 2011<br><i>RMB'000</i>  | 2012<br><i>RMB'000</i> | 2013<br><i>RMB'000</i> | 2013<br><i>RMB'000</i><br>(unaudited) | 2014<br><i>RMB'000</i> |
| <b>Profit/(loss) for the year/period</b>  | 198,341                 | 35,680                 | 4,417                  | (222)                                 | (37,915)               |
| <b>Other comprehensive income for the year/period (after tax and reclassification adjustments):</b> |                         |                        |                        |                                       |                        |
| Item that will not be reclassified to profit or loss:   |                         |                        |                        |                                       |                        |
| Surplus on revaluation upon transfer of property, plant and equipment to investment properties      | —                       | —                      | 2,229                  | 2,873                                 | —                      |
| Items that may be reclassified subsequently to profit or loss:                                      |                         |                        |                        |                                       |                        |
| Exchange differences on translation of financial statements of overseas subsidiaries                | —                       | —                      | 862                    | (198)                                 | (273)                  |
| <b>Other comprehensive income for the year/period</b>   | <u>—</u>                | <u>—</u>               | <u>3,091</u>           | <u>2,675</u>                          | <u>(273)</u>           |
| <b>Total comprehensive income for the year/period</b>   | <u>198,341</u>          | <u>35,680</u>          | <u>7,508</u>           | <u>2,453</u>                          | <u>(38,188)</u>        |
| <b>Attributable to:</b>   |                         |                        |                        |                                       |                        |
| Equity shareholders of the KSH  | <u>198,341</u>          | <u>35,680</u>          | <u>7,508</u>           | <u>2,453</u>                          | <u>(38,188)</u>        |
| <b>Total comprehensive income for the year/period</b>   | <u>198,341</u>          | <u>35,680</u>          | <u>7,508</u>           | <u>2,453</u>                          | <u>(38,188)</u>        |

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

*Combined statements of financial position at 31 December 2011, 2012, 2013 and 30 June 2014*

|  | As at 31 December |                 |                 | As at 30 June   |
|--|-------------------|-----------------|-----------------|-----------------|
|  | 2011<br>RMB'000   | 2012<br>RMB'000 | 2013<br>RMB'000 | 2014<br>RMB'000 |
| <b>Non-current assets</b>  |                   |                 |                 |                 |
| Property, plant and equipment                                      | 7,495             | 7,444           | 5,432           | 4,369           |
| Investment properties  | <u>157,850</u>    | <u>209,730</u>  | <u>226,800</u>  | <u>182,500</u>  |
| <b>Total non-current assets</b>                                    | <u>165,345</u>    | <u>217,174</u>  | <u>232,232</u>  | <u>186,869</u>  |
| <b>Current assets</b>  |                   |                 |                 |                 |
| Properties under development                                       | 172,033           | 331,021         | 160,915         | 164,311         |
| Completed properties held for sale                                 | 207,355           | 161,198         | 346,942         | 324,335         |
| Trade and other receivables,<br>deposits and prepayments           | 23,119            | 10,000          | 36,253          | 37,175          |
| Amounts receivable from<br>Remaining Group Entities                | 54,724            | 54,196          | —               | —               |
| Deposit in an escrow account                                       | 25,000            | 25,000          | —               | —               |
| Cash and cash equivalents  | 114,488           | 70,345          | 2,743           | 52,367          |
| Pledged deposit  | <u>—</u>          | <u>—</u>        | <u>25,000</u>   | <u>25,000</u>   |
| <b>Total current assets</b>  | <u>596,719</u>    | <u>651,760</u>  | <u>571,853</u>  | <u>603,188</u>  |
| <b>Total assets</b>  | <u>762,064</u>    | <u>868,934</u>  | <u>804,085</u>  | <u>790,057</u>  |
| <b>Current liabilities</b>   |                   |                 |                 |                 |
| Bank loan  | —                 | 200,000         | —               | —               |
| Receipts in advance  | 3,704             | 4,024           | 501             | 966             |
| Trade and other payables   | 138,030           | 140,475         | 219,962         | 267,208         |
| Amounts due to Remaining Group Entities                            | —                 | —               | 28,996          | 44,849          |
| Amounts due to the Company   | 20,431            | 110,439         | 131,580         | 48,619          |
| Current taxation   | <u>151,371</u>    | <u>127,026</u>  | <u>124,218</u>  | <u>109,375</u>  |
| <b>Total current liabilities</b>                                   | <u>313,536</u>    | <u>581,964</u>  | <u>505,257</u>  | <u>471,017</u>  |
| <b>Net current assets</b>  | <u>283,183</u>    | <u>69,796</u>   | <u>66,596</u>   | <u>132,171</u>  |
| <b>Total assets less current liabilities</b>                       | <u>448,528</u>    | <u>286,970</u>  | <u>298,828</u>  | <u>319,040</u>  |
| <b>Non-current liabilities</b>                                     |                   |                 |                 |                 |
| Bank loan  | 200,000           | —               | —               | —               |
| Deferred tax liabilities   | <u>26,923</u>     | <u>43,173</u>   | <u>50,523</u>   | <u>25,967</u>   |
| <b>Total non-current liabilities</b>                               | <u>226,923</u>    | <u>43,173</u>   | <u>50,523</u>   | <u>25,967</u>   |
| <b>Net assets</b>  | <u>221,605</u>    | <u>243,797</u>  | <u>248,305</u>  | <u>293,073</u>  |
| <b>Equity</b>  |                   |                 |                 |                 |
| Combined capital   | —                 | —               | —               | —               |
| Reserves   | <u>221,605</u>    | <u>243,797</u>  | <u>248,305</u>  | <u>293,073</u>  |
| <b>Total equity attributable to equity<br/>shareholders of KSH</b> | <u>221,605</u>    | <u>243,797</u>  | <u>248,305</u>  | <u>293,073</u>  |
| <b>Total equity</b>  | <u>221,605</u>    | <u>243,797</u>  | <u>248,305</u>  | <u>293,073</u>  |

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- (d) The combined financial information of the Remaining Group Entities for the Relevant Periods is disclosed as follows:

*Combined statements of profit or loss for the Relevant Periods*

|  | Year ended 31 December |                        |                        | Six months ended 30 June |                        |
|--|------------------------|------------------------|------------------------|--------------------------|------------------------|
|  | 2011<br><i>RMB'000</i> | 2012<br><i>RMB'000</i> | 2013<br><i>RMB'000</i> | 2013<br><i>RMB'000</i>   | 2014<br><i>RMB'000</i> |
| <b>Turnover</b>  | 29,819                 | 25,687                 | 61,113                 | 31,334                   | 33,563                 |
| Cost of sales  | <u>(21,137)</u>        | <u>(19,282)</u>        | <u>(45,214)</u>        | <u>(23,034)</u>          | <u>(21,657)</u>        |
| <b>Gross profit</b>  | 8,682                  | 6,405                  | 15,899                 | 8,300                    | 11,906                 |
| Other Revenue  | 44,322                 | —                      | —                      | —                        | —                      |
| Selling and distribution expenses  | (1,285)                | (1,268)                | (1,749)                | (548)                    | (471)                  |
| Administrative expenses  | <u>(3,792)</u>         | <u>(2,882)</u>         | <u>(3,801)</u>         | <u>(1,808)</u>           | <u>(2,056)</u>         |
| <b>Profit from operations</b>  | 47,927                 | 2,255                  | 10,349                 | 5,944                    | 9,379                  |
| Finance income   | 53                     | 7                      | 221                    | 13                       | 13                     |
| Finance cost   | <u>(193)</u>           | <u>(13)</u>            | <u>(3,143)</u>         | <u>(164)</u>             | <u>(2,783)</u>         |
| <b>Profit before taxation</b>  | 47,787                 | 2,249                  | 7,427                  | 5,793                    | 6,609                  |
| Income tax   | <u>(3,268)</u>         | <u>(566)</u>           | <u>(843)</u>           | <u>(729)</u>             | <u>(652)</u>           |
| <b>Profit for the year/<br/>period and other<br/>comprehensive for<br/>the year/period</b> | <u><u>44,519</u></u>   | <u><u>1,683</u></u>    | <u><u>6,584</u></u>    | <u><u>5,064</u></u>      | <u><u>5,957</u></u>    |

## APPENDIX II FINANCIAL INFORMATION OF THE FORMER GROUP

*Combined statements of financial position at 31 December 2011, 2012, 2013 and 30 June 2014*

|   | As at 31 December      |                        |                         | As at 30 June           |
|---|------------------------|------------------------|-------------------------|-------------------------|
|   | 2011                   | 2012                   | 2013                    | 2014                    |
|   | <i>RMB'000</i>         | <i>RMB'000</i>         | <i>RMB'000</i>          | <i>RMB'000</i>          |
| <b>Non-current assets</b>                             |                        |                        |                         |                         |
| Lease prepayments                                     | —                      | —                      | 6,485                   | 6,407                   |
| Property, plant and equipment                         | <u>3,385</u>           | <u>3,119</u>           | <u>12,950</u>           | <u>12,632</u>           |
|   | -----<br>3,385         | -----<br>3,119         | -----<br>19,435         | -----<br>19,039         |
| <b>Current assets</b>                                 |                        |                        |                         |                         |
| Lease prepayments                                     | —                      | —                      | 154                     | 154                     |
| Inventories   | 9,593                  | 22,845                 | 26,230                  | 22,794                  |
| Trade and other receivables, deposits and prepayments | 36,067                 | 39,185                 | 29,917                  | 43,599                  |
| Amounts receivable from the KSH Group                 | —                      | —                      | 25,326                  | 41,178                  |
| Cash and cash equivalents                             | 2,046                  | 15,297                 | 35,807                  | 11,226                  |
| Pledged deposit                                       | <u>60</u>              | <u>—</u>               | <u>—</u>                | <u>—</u>                |
|   | -----<br>47,766        | -----<br>77,327        | -----<br>117,434        | -----<br>118,951        |
| <b>Total Assets</b>                                   | -----<br><u>51,151</u> | -----<br><u>80,446</u> | -----<br><u>136,869</u> | -----<br><u>137,990</u> |
| <b>Current liabilities</b>                            |                        |                        |                         |                         |
| Bank loans  | —                      | —                      | 95,000                  | 95,000                  |
| Receipts in advance                                   | 7,786                  | 16,579                 | 21,408                  | 17,908                  |
| Trade and other payables                              | 9,471                  | 10,642                 | 15,322                  | 15,089                  |
| Amounts payable to the KSH Group                      | 54,690                 | 58,282                 | —                       | —                       |
| Current taxation                                      | <u>4,869</u>           | <u>5,435</u>           | <u>6,048</u>            | <u>4,946</u>            |
|   | -----<br>76,816        | -----<br>90,938        | -----<br>137,778        | -----<br>132,943        |
| <b>Net current assets</b>                             | (29,050)               | (13,611)               | (20,344)                | (13,992)                |
| <b>Total assets less current liabilities</b>          | -----<br>(25,665)      | -----<br>(10,492)      | -----<br>(909)          | -----<br>5,047          |
| <b>Net Assets</b>                                     | <u>(25,665)</u>        | <u>(10,492)</u>        | <u>(909)</u>            | <u>5,047</u>            |
| <b>Equity</b>   |                        |                        |                         |                         |
| Reserves  | <u>(25,665)</u>        | <u>(10,492)</u>        | <u>(909)</u>            | <u>5,047</u>            |
| <b>Total equity</b>                                   | <u>(25,665)</u>        | <u>(10,492)</u>        | <u>(909)</u>            | <u>5,047</u>            |

**C    SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2014. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 30 June 2014.

### **3. INDEBTEDNESS**

#### **Indebtedness Statement**

##### *Indebtedness*

At the close of business on 31 October 2014, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Document, the Group had total outstanding borrowings of approximately RMB102.1 million, comprising secured bank loans of approximately RMB102.1 million.

As at 31 October 2014, the bank loans were secured by pledged deposit of RMB25.0 million, properties (including both property, plant and equipment and investment properties) with an aggregate carrying value of RMB22.2 million owned by Dalian Kai Shi Property Company Limited and certain properties owned by a related party controlled by Mr. Kai.

##### *General*

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 31 October 2014, the Group did not have any outstanding debt securities and loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness (whether guaranteed, unguaranteed, secured or unsecured), mortgages, charges or debentures, guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any other material change in the indebtedness and contingent liabilities of the Group since 31 October 2014 and up to the date of this Document except for repayment of bank loan of HK\$30,380,000 in November 2014 and repayment of bank loan of RMB40,000,000 in January 2015.

### **4. MATERIAL CHANGE**

Save for the Asset Reorganisation and the Distribution In Specie as set out in the Document, and that the Group has ceased to carry on the Distributed Businesses and is only engaged in the businesses consisting of construction and engineering services and manufacture, processing and sales of doors and windows in the PRC pursuant to the Asset Reorganisation, as at the Latest Practicable Date, there was no material change in the financial or trading position or outlook of the Group since 30 June 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

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| <b>APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION<br/>OF THE GROUP</b> |
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*The unaudited pro forma financial information of the Group and the text of the accountants' report on the unaudited pro forma financial information contained in Appendix IV to the Circular are reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.*

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

**Introduction to the unaudited pro forma financial information**

The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Remaining Group as at 30 June 2014 as if the proposed Asset Reorganisation and Distribution In Specie (together, the “Transactions”) had been completed on 30 June 2014; and (ii) the results and cash flows of the Remaining Group for the six months ended 30 June 2014 as if the Transactions had been completed on 1 January 2014. The unaudited pro forma financial information of the Remaining Group is prepared based on the financial information of the Group as set out in the Accountants' Report of the Company included in Appendix II to this Circular, after giving effect to the pro forma adjustments described in the notes.

The unaudited pro forma financial information has been prepared by the directors of the Company in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purposes of illustrating the effect of the Transactions, and because of its hypothetical nature, it may not give a true picture of the financial position or results of the Remaining Group had the Transactions been completed as of the specified dates or any future date.

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| <b>APPENDIX III</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION<br/>OF THE GROUP</b> |
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**Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2014**

|   | Consolidated<br>statement of<br>financial<br>position of the<br>Group as at<br>30 June 2014 | RMB'000   | RMB'000 | Pro forma adjustments |         |         | RMB'000   | RMB'000        | Unaudited<br>pro forma<br>consolidated<br>statement of<br>financial<br>position of the<br>Remaining<br>Group |
|---|---|-----------|---------|-----------------------|---------|---------|-----------|----------------|--|
|   | RMB'000   | RMB'000   | RMB'000 | RMB'000               | RMB'000 | RMB'000 | RMB'000   | RMB'000        |  |
|   | Note 1  | Note 2    | Note 3  | Note 4                | Note 5  | Note 6  | Note 7    | RMB'000        |  |
| <b>Non-current assets</b>                                 |   |           |         |                       |         |         |           |                |  |
| Lease prepayments   | 6,407   |           |         |                       |         |         |           | 6,407          |  |
| Property, plant and equipment                             | 17,002  | (4,369)   |         |                       |         |         |           | 12,633         |  |
| Investment properties                                     | 182,500   | (182,500) |         |                       |         |         |           | —              |  |
|   | <u>205,909</u>  |           |         |                       |         |         |           | <u>19,040</u>  |  |
| <b>Current assets</b>                                     |   |           |         |                       |         |         |           |                |  |
| Lease prepayments   | 154   |           |         |                       |         |         |           | 154            |  |
| Properties under development                              | 164,311   | (164,311) |         |                       |         |         |           | —              |  |
| Completed properties held for sale                        | 322,696   | (324,335) | 1,639   |                       |         |         |           | —              |  |
| Inventories   | 20,163  |           |         |                       |         |         |           | 20,163         |  |
| Trade and other receivables, deposits and prepayments     | 80,773  | (37,175)  |         |                       |         |         |           | 43,598         |  |
| Amounts receivable from the KSH Group                     | —   |           |         | 93,468                | 44,500  | 4,800   | (142,768) | —              |  |
| Cash and cash equivalents                                 | 64,152  | (52,367)  |         |                       |         |         | 52,017    | 63,802         |  |
| Pledged deposit   | 25,000  | (25,000)  |         |                       |         |         |           | —              |  |
|   | <u>677,249</u>  |           |         |                       |         |         |           | <u>127,717</u> |  |
| <b>Total Assets</b>                                       | <u>883,158</u>  |           |         |                       |         |         |           | <u>146,757</u> |  |
| <b>Current liabilities</b>                                |   |           |         |                       |         |         |           |                |  |
| Bank loans  | 119,116   |           |         |                       |         |         | (66,116)  | 53,000         |  |
| Receipts in advance                                       | 18,874  | (966)     |         |                       |         |         |           | 17,908         |  |
| Trade and other payables                                  | 307,752   | (267,208) |         |                       |         | (605)   | (24,635)  | 15,304         |  |
| Amounts due to the Remaining Group Entities               | —   | (44,849)  |         | 44,849                |         |         |           | —              |  |
| Amounts due to the Company                                | —   | (48,619)  |         | 48,619                |         |         |           | —              |  |
| Current taxation  | 114,320   | (109,375) | 260     |                       | 1,875   |         |           | 7,080          |  |
|   | <u>560,062</u>  |           |         |                       |         |         |           | <u>93,292</u>  |  |
| <b>Net current assets</b>                                 | <u>117,187</u>  |           |         |                       |         |         |           | <u>34,425</u>  |  |
| <b>Total assets less current liabilities</b>              | <u>323,096</u>  |           |         |                       |         |         |           | <u>53,465</u>  |  |
| <b>Non-current liabilities</b>                            |   |           |         |                       |         |         |           |                |  |
| Deferred tax liabilities                                  | 25,817  | (25,967)  | 150     |                       |         |         |           | —              |  |
|   | <u>25,817</u>   |           |         |                       |         |         |           | <u>—</u>       |  |
| <b>Net assets</b>   | <u>297,279</u>  |           |         |                       |         |         |           | <u>53,465</u>  |  |
| <b>Equity</b>   |   |           |         |                       |         |         |           |                |  |
| Share capital   | 4,900   |           |         |                       |         |         |           | 4,900          |  |
| Reserves  | 292,379   | (293,073) | 1,229   |                       | 42,625  | 5,405   |           | 48,565         |  |
| <b>Equity attributable to shareholders of the Company</b> | <u>297,279</u>  |           |         |                       |         |         |           | <u>53,465</u>  |  |
| <b>Total equity</b>                                       | <u>297,279</u>  |           |         |                       |         |         |           | <u>53,465</u>  |  |

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| <b>APPENDIX III</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION<br/>OF THE GROUP</b> |
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*Notes:*

1. The amounts are extracted from the Accountants' Report of the Company as set out in Appendix II to this Circular.
2. Pursuant to the Distribution In Specie, the adjustment represents the exclusion of the assets and liabilities of the KSH Group as at 30 June 2014, which is extracted from the Financial Information of the KSH Group as at 30 June 2014 as set out in the section A of Appendix III to this Circular.
3. The adjustment reflects the reinstatement of the intercompany transactions between the Remaining Group and the KSH Group, which should not be eliminated after the completion of the Transactions.
4. The adjustment reflects the intercompany balances between the Remaining Group and the KSH Group, which should not be eliminated after the completion of the Transactions.
5. Pursuant to the Asset Reorganisation, the adjustment represents the combined effect of the following equity transfers between the Remaining Group and the KSH Group and the related tax effect:
  - (i) The Remaining Group transfers all of its equity interests in Dalian Kai Shi to the KSH Group at a consideration of RMB50,500,000.
  - (ii) The Remaining Group acquires the entire equity interests of Lion Tianjin and KS Engineering from the KSH Group at considerations of RMB4,000,000 and RMB2,000,000, respectively.
6. Pursuant to the Distribution In Specie, the adjustment represents:
  - (i) The declaration of dividend by China Kai Shi to the Company of RMB4,800,000.
  - (ii) The amounts payable of the Company to its Controlling Shareholder of RMB605,000 will be waived by the Controlling Shareholder.
7. Pursuant to the Asset Reorganisation, the adjustment represents:
  - (i) The amounts receivable from the KSH Group of RMB142,768,000 will be partially settled by transferring of the amounts payable to the Controlling Shareholder by the Remaining Group Entities of RMB24,635,000 to the KSH Group. To release the security given by the KSH Group in favour of the Remaining Group, the Controlling Shareholder will also pay HK\$30,380,000 (equivalent to RMB23,857,000) to the Remaining Group on behalf of the KSH Group for repayment of the Company's bank borrowing. The remaining balance of RMB94,276,000 will be settled in cash.
  - (ii) The amounts receivable from the KSH Group of RMB94,276,000 will be used to repay the bank borrowings of RMB42,000,000 by the Remaining Group. Entities in order to release the security given by the KSH Group in favour of the Remaining Group. The remaining cash of RMB52,017,000 will be kept by the Remaining Group.
8. No other adjustment has been made to reflect any trading result or other transaction of the Remaining Group entered into subsequent to 30 June 2014.

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| <b>APPENDIX III</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP</b> |
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**Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the six months ended 30 June 2014**

|  | <b>Consolidated statement of profit or loss of the Group for the six months ended 30 June 2014</b> | <b>Pro forma adjustments</b> |                |                |                     | <b>Unaudited pro forma consolidated statement of profit or loss of the Remaining Group</b> |
|--|--|------------------------------|----------------|----------------|---------------------|--|
|  | <i>RMB'000</i>   | <i>RMB'000</i>               | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>      |  |
|  | <i>Note 1</i>  | <i>Note 2</i>                | <i>Note 3</i>  | <i>Note 4</i>  | <i>Note 5</i>       |  |
| <b>Turnover</b>  | 47,067   | (13,504)                     | 3,671          |                | 37,234              |  |
| Cost of sales  | <u>(45,254)</u>  | 23,623                       | (2,658)        |                | <u>(24,289)</u>     |  |
| <b>Gross profit</b>  | 1,813  |                              |                |                | 12,945              |  |
| Selling and distribution expenses  | (2,203)  | 1,712                        |                |                | (491)               |  |
| Administrative expenses  | (9,274)  | 5,443                        |                |                | (3,831)             |  |
| <b>(Loss)/profit from operations before changes in fair value of investment properties</b> | (9,664)  |                              |                |                | 8,623               |  |
| Decrease in fair value of investment properties  | <u>(44,300)</u>  | 44,300                       |                |                | <u>—</u>            |  |
| <b>(Loss)/profit from operations after changes in fair value of investment properties</b>  | (53,964)   |                              |                |                | 8,623               |  |
| Finance income   | 22   | (9)                          |                |                | 13                  |  |
| Finance cost   | <u>(2,970)</u>   | 12                           |                | 1,611          | <u>(1,347)</u>      |  |
| <b>(Loss)/profit before taxation</b>   | (56,912)   |                              |                |                | 7,289               |  |
| Income tax   | <u>23,004</u>  | (23,662)                     | (254)          | (360)          | <u>(1,272)</u>      |  |
| <b>(Loss)/profit for the period</b>  | <u><u>(33,908)</u></u>   |                              |                |                | <u><u>6,017</u></u> |  |
| <b>Attributable to:</b>  |  |                              |                |                |                     |  |
| Equity shareholders of the Company   | <u><u>(33,908)</u></u>   |                              |                |                | <u><u>6,017</u></u> |  |

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| <b>APPENDIX III</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION<br/>OF THE GROUP</b> |
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**Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group for the six months ended 30 June 2014**

|  | Consolidated<br>statement of<br>profit or loss<br>and other<br>comprehensive<br>income of the<br>Group for the<br>six months<br>ended 30 June<br>2014 | Pro forma adjustments |                |                |                | Unaudited pro<br>forma<br>consolidated<br>statement of<br>profit or loss<br>and other<br>comprehensive<br>income of the<br>Remaining<br>Group |
|--|---|-----------------------|----------------|----------------|----------------|---|
|  | <i>RMB'000</i>  | <i>RMB'000</i>        | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i>  |
|  | <i>Note 1</i>   | <i>Note 2</i>         | <i>Note 3</i>  | <i>Note 4</i>  | <i>Note 5</i>  | <i>Note 5</i>   |
| <b>(Loss)/profit for the period</b>  | (33,908)  | 37,915                | 759            | 1,251          | 6,017          |   |
| <b>Other comprehensive income for the period (after tax and reclassification adjustments):</b> |   |                       |                |                |                |   |
| Items that may be reclassified subsequently to profit or loss:                                 |   |                       |                |                |                |   |
| Exchange differences on translation of financial statements of overseas subsidiaries           | 522   | 273                   |                |                | 795            |   |
| <b>Other comprehensive income for the period</b>   | 522   |                       |                |                | 795            |   |
| <b>Total comprehensive income for the period</b>   | (33,386)  |                       |                |                | 6,812          |   |
| <b>Attributable to:</b>  |   |                       |                |                |                |   |
| Equity shareholders of the Company   | (33,386)  |                       |                |                | 6,812          |   |

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| <b>APPENDIX III</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP</b> |
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**Unaudited pro forma consolidated cash flow statement of the Remaining Group for the six months ended 30 June 2014**

|   | Consolidated<br>cash flow<br>statement of the<br>Group for the<br>six months<br>ended 30 June<br>2014 | Pro forma adjustments |                |                |                | Unaudited pro<br>forma<br>consolidated<br>cash flow<br>statement of the<br>Remaining<br>Group |
|---|---|-----------------------|----------------|----------------|----------------|---|
|   | <i>RMB'000</i>  | <i>RMB'000</i>        | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |   |
|   | <i>Note 1</i>   | <i>Note 2</i>         | <i>Note 3</i>  | <i>Note 4</i>  | <i>Note 5</i>  |   |
| <b>(Loss)/profit before taxation</b>                                      | (56,912)  | 61,577                | 1,013          | 1,611          | 7,289          |   |
| Adjustments for:  |   |                       |                |                |                |   |
| — Depreciation  | 1,390   | (1,063)               |                |                | 327            |   |
| — Amortisation of lease<br>prepayments                                    | 78  |                       |                |                | 78             |   |
| — Finance costs   | 2,955   |                       |                | (1,611)        | 1,344          |   |
| — Net exchange loss/(gain)  | 2   | (12)                  |                |                | (10)           |   |
| — Interest income   | (22)  | 9                     |                |                | (13)           |   |
| — Increase in fair value of<br>investment properties                      | 44,300  | (44,300)              |                |                | —              |   |
| — Write-down of completed<br>properties held for sale                     | 18,500  | (18,500)              |                |                | —              |   |
| — Equity settled share-based<br>payment expenses                          | 527   |                       |                |                | 527            |   |
| <b>Changes in working capital</b>   |   |                       |                |                |                |   |
| — Increase in inventories   | 3,435   |                       | 2,631          |                | 6,066          |   |
| — Increase in properties<br>under development                             | (3,395)   | 3,395                 |                |                | —              |   |
| — Increase in completed<br>properties held for sale                       | 4,552   | (4,106)               |                |                | 446            |   |
| — Increase in trade and other<br>receivables, deposits and<br>prepayments | (15,826)  | 922                   |                |                | (14,904)       |   |
| — Increase/(decrease)<br>in receipt in advance                            | 1,221   | (465)                 | (3,671)        |                | (2,915)        |   |
| — Decrease in trade and<br>other payables                                 | (12,433)  | 10,341                | 27             |                | (2,065)        |   |
| <b>Cash used in operations</b>  | <u>(11,628)</u>   |                       |                |                | <u>(3,830)</u> |   |

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| <b>APPENDIX III</b> | <b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP</b> |
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|   | <b>Consolidated<br/>cash flow<br/>statement of the<br/>Group for the<br/>six months<br/>ended 30 June<br/>2014</b> | <b>Pro forma adjustments</b> |                |                |                | <b>Unaudited pro<br/>forma<br/>consolidated<br/>cash flow<br/>statement of the<br/>Remaining<br/>Group</b> |
|---|--|------------------------------|----------------|----------------|----------------|--|
|   | <i>RMB'000</i>   | <i>RMB'000</i>               | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |  |
|   | <i>Note 1</i>  | <i>Note 2</i>                | <i>Note 3</i>  | <i>Note 4</i>  | <i>Note 5</i>  |  |
| <b>Cash used in operations</b>  | (11,628)   |                              |                |                | (3,830)        |  |
| Income tax paid   | <u>(17,491)</u>  | 15,736                       |                |                | <u>(1,755)</u> |  |
| <b>Net cash used in operating activities</b>  | <u>(29,119)</u>  |                              |                |                | <u>(5,585)</u> |  |
| <b>Investing activities</b>   |  |                              |                |                |                |  |
| Payment for acquisition of leasehold land and buildings and other property, plant and equipment | <u>(11)</u>  |                              |                |                | <u>(11)</u>    |  |
| <b>Net cash used in investing activities</b>  | <u>(11)</u>  |                              |                |                | <u>(11)</u>    |  |
| <b>Financing activities</b>   |  |                              |                |                |                |  |
| Interest received   | 22   | (9)                          |                |                | 13             |  |
| Advances from the Controlling Shareholder   | 161,948  | (64,355)                     | 23,857         |                | 121,450        |  |
| Advances from related parties   | —  | (15,676)                     |                |                | (15,676)       |  |
| Repayment of advance(to)/from related parties   | (104,391)  | 6,798                        | 94,276         |                | (3,317)        |  |
| Repayment of bank loans   | —  |                              | (66,116)       |                | (66,116)       |  |
| Interest paid   | <u>(3,449)</u>   |                              |                | 2,105          | <u>(1,344)</u> |  |
| <b>Net cash generated from financing activities</b>   | <u>54,130</u>  |                              |                |                | <u>35,010</u>  |  |
| <b>Net increase in cash and cash equivalents</b>  | <u>25,000</u>  |                              |                |                | <u>29,414</u>  |  |
| <b>Cash and cash equivalents at 1 January</b>   | 39,104   | (2,743)                      |                |                | 36,361         |  |
| <b>Effect of foreign exchange rate changes</b>  | <u>48</u>  | 84                           |                |                | <u>132</u>     |  |
| <b>Cash and cash equivalents at 30 June 2014</b>  | <u>64,152</u>  |                              |                |                | <u>65,907</u>  |  |
| <b>Analysis of cash and cash equivalents</b>  |  |                              |                |                |                |  |
| Bank balances and cash  | 64,152   | (52,367)                     | 52,017         | 2,105          | 65,907         |  |

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|---|
| <b>APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION<br/>OF THE GROUP</b> |
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*Notes:*

1. The amounts are extracted from the Accountants' Report of the Company as set out in Appendix II to this Circular.
2. Pursuant to the Distribution In Specie, the adjustment represents the exclusion of the income and expenses of the KSH Group for the six months ended 30 June 2014, which is extracted from the financial information of the KSH Group for the six months ended 30 June 2014 as set out in the section A of Appendix III to this Circular.
3. The adjustment reflects the reinstatement of the intercompany transactions between the Remaining Group and the KSH Group, which should not be eliminated after the completion of the Transactions.
4. The adjustment represents a reduction of finance costs for the six months ended 30 June 2014 as if the bank borrowings with security given by the KSH Group in favour of the Remaining Group had been fully settled as at 1 January 2014.
5. No other adjustment has been made to reflect any trading result or other transaction of the Remaining Group entered into subsequent to 30 June 2014.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
REMAINING GROUP**

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



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

24 December 2014

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION  
TO THE DIRECTORS OF KAI SHI CHINA HOLDINGS COMPANY LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kai Shi China Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2014 and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated cash flow statement for the six months ended 30 June 2014 and related notes as set out on pages IV-1 to IV-8 to the circular dated 24 December 2014 (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 on page IV-1 to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed group reorganisation and distribution in specie (the "Transactions") on the Group's financial position as at 30 June 2014 and the Group's financial performance and cash flows for the six months ended 30 June 2014 as if the Transactions had taken place at 30 June 2014 and 1 January 2014, respectively. As part of this process, information about the Group's financial position as at 30 June 2014 and, financial performance and cash flows for the six months ended 30 June 2014 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report of the Company as set out in Appendix II to this Circular.

### **Directors' Responsibilities for the Pro Forma Financial Information**

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

### **Reporting Accountants' Responsibilities**

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

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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For 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 pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transactions 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 2014 or 1 January 2014 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and

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|---|
| <b>APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION<br/>OF THE GROUP</b> |
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- the 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 pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

### **Opinion**

In our opinion:

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

**KPMG**

*Certified Public Accountants*

Hong Kong

## 1. RESPONSIBILITY STATEMENT

The directors of Longevity jointly and severally accept full responsibility for the accuracy of the information contained in this Document (other than that relating to the Group and the Former Group and parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Document (other than those expressed by the Group and the Former Group and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Document, the omission of which would make any statement in this Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Document (other than that relating to Longevity and parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Document (other than those expressed by Longevity and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Document, the omission of which would make any statement in this Document misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

|                                       | <i>HK\$</i>       |
|---------------------------------------|-------------------|
| <b><i>Authorised</i></b>              |                   |
| 2,000,000,000 Shares of HK\$0.01 each | <u>20,000,000</u> |
| <b><i>Issued and fully paid</i></b>   |                   |
| 602,000,000 Shares of HK\$0.01 each   | <u>6,020,000</u>  |

All the existing issued Shares are fully paid up and rank *pari passu* in all respects including all rights as to dividends, voting and capital. Since the end of the last financial year of the Company, i.e. 31 December 2013, no new Shares have been issued.

As at the Latest Practicable Date, the Company had 602,000,000 Shares in issue and, save for the 11,140,000 outstanding Options conferring the rights to the Optionholders to subscribe for an aggregate of 11,140,000 new Shares at HK\$0.72 per Share, the Company had no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

### 3. DISCLOSURE OF INTERESTS

#### Interests in Longevity

As at the Latest Practicable Date, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of Longevity.

#### Interests in the Company

**(a) *Interest of Longevity, directors of Longevity and parties acting in concert with any of them***

As at the Latest Practicable Date, Longevity and parties acting in concert with it owned 450,900,000 Shares, representing approximately 74.90% of the entire issued share capital of the Company. Save as disclosed, as at the Latest Practicable Date, none of Longevity, directors of Longevity or parties acting in concert with any of them owned or controlled any Shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into the Shares.

**(b) *Interests of Directors***

As at the Latest Practicable Date, the details of the interests in the Shares held by the Directors were set out below:

| Name of Directors | Numbers of Shares/<br>Underlying Shares held |                       | Total     | Approximate<br>percentage of<br>the Company's<br>total issued<br>share capital |
|-------------------|--|-----------------------|-----------|--|
|                   | Shares                                       | Options<br>(Note 1)   |           |  |
| Mr. Kai           | —  | 5,700,000<br>(Note 2) | 5,700,000 | 0.95   |
| Ms. Jiang Shuxia  | 300,000                                      | 1,200,000             | 1,500,000 | 0.25   |
| Mr. Kai Xiaojiang | —  | 1,200,000             | 1,200,000 | 0.20   |
| Ms. Han Liping    | 300,000                                      | 1,200,000             | 1,500,000 | 0.25   |

*Notes:*

1. These Options were granted on 24 June 2011 under the Pre-IPO Option Scheme with the following period for exercise of the relevant Options:

| <b>Maximum number of Shares under the Option exercisable</b> | <b>Period for exercise of the relevant Option</b>   |
|--|---|
| 20% of the Option granted                                    | at any time on or after the date falling on the first anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date  |
| 20% of the Option granted                                    | at any time on or after the date falling on the second anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date |
| 20% of the Option granted                                    | at any time on or after the date falling on the third anniversary of the Listing Date to the date immediately before the fifth anniversary of the Listing Date  |
| the remaining 40% of the Option granted                      | on the date immediately before the fifth anniversary of the Listing Date  |

All these Options are immediately exercisable upon the Share Offer becoming or being unconditional.

2. These Options were held as to 4,660,000 Options by Mr. Kai and 1,040,000 Options by Ms. Hu Shicui (the spouse of Mr. Kai).

Save as disclosed above, none of the Director had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

**(c) *Other interests in the Company***

Save as disclosed, as at the Latest Practicable Date,

- (i) none of the subsidiaries of the Company, nor pensions fund of the Company or any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iii) neither the Company, any Directors, Longevity nor any persons acting in concert with any of them had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (iv) Longevity and any party acting in concert with it had not borrowed or lent any relevant Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company; and
- (v) none of the Company nor any Directors had borrowed or lent any Shares, or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

#### **4. DEALINGS IN SECURITIES**

##### **(a) Dealing in securities of the Company by Longevity or parties acting in concert with it**

Other than the acquisition of the Sale Shares pursuant to the Share Sale Agreement and save as disclosed below, neither Longevity nor parties acting in concert with it (i) had acquired any voting rights in the Company; and (ii) had dealt with the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

##### **(b) Dealing in securities of the Company by the Directors**

Other than the disposal of the Sale Shares by the Vendors, Ms. Hu Shicui and Mr. Kai Xiaojiang pursuant to the Share Sale Agreement, none of the Directors nor parties acting in concert with each of them (i) had disposed of any voting rights in the Company; and (ii) had dealt with the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

##### **(c) Dealing in securities of Longevity by the Directors or directors of Longevity**

Other than the acquisition of the entire issued share capital of Longevity by Mr. Wei from his daughter (Ms. Wei Na) on 14 October 2014 at US1.00, none of the Directors or directors of Longevity had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Longevity during the Relevant Period.

##### **(d) During the Relevant Period, save as disclosed in the section headed “Dealing in Securities” in this Appendix IV,**

- (i) none of the subsidiaries of the Company, nor pension funds of the Company or any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders had dealt for value in any Shares or other convertible securities, warrants, options or derivatives in respect of any Shares; and

- (ii) no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any of the Shares or any other convertible securities, warrants, options or derivatives in respect of any of the Shares.

## 5. OTHER ARRANGEMENT RELATING TO THE OFFERS

Save as disclosed, as at the Latest Practicable Date,

- (i) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between Longevity or any persons acting in concert with Longevity and any other person. The directors of Longevity and CICCHKS were not aware of any such arrangements between any other associate of Longevity and any other person;
- (ii) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who was an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code and any other person. The Directors were not aware of any such arrangements between any other associate of the Company and any other person;
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (iv) save that Mr. Kai and Ms. Hu Shicui are holding an aggregate of 5,700,000 Options conferring the right to subscribe for 5,700,000 Shares and Mr. Kai has irrevocably and unconditionally undertaken to Longevity under the Share Sale Agreement that Mr. Kai will, and he shall procure Ms. Hu Shicui, (i) not exercise any subscription rights attached to the Excluded Options held by him/her prior to the close of the Offers; and (ii) not accept the Option Offer, no Shareholder or Optionholder had irrevocably committed to Longevity to accept or reject the Offers;
- (v) save for the Share Sale Agreement, there was no agreements, arrangements or understandings (including any compensation arrangement) existed between Longevity and any part acting in concert with it and any of the Directors, recent directors of the Company (if any), and holders or recent holders of Shares and Options which were conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (vi) as the Offers are unconditional in all respects, there is no agreement or arrangement to which Longevity is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers; and

- (vii) there was no agreement, arrangement or understanding between Longevity and any other person to transfer, charge or pledge the beneficial interests in the Shares acquired in pursuance of the Offers.

## 6. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares quoted on the Stock Exchange during the Relevant Period were HK\$2.97 per Share on 16 January 2015 and HK\$1.21 per Share on 5 November 2014, respectively.
- (b) The table below sets out the closing prices of the Shares quoted on the Stock Exchange on the last Business Day of each of the calendar month during the Relevant Period:

| Date                        | Closing Price |
|-----------------------------|---------------|
| 30 June 2014                | HK\$1.47      |
| 31 July 2014                | HK\$1.45      |
| 29 August 2014              | HK\$1.30      |
| 29 September 2014           | HK\$1.30      |
| 31 October 2014             | HK\$1.33      |
| 30 November 2014            | Suspended     |
| 31 December 2014            | HK\$2.18      |
| The Latest Practicable Date | HK\$2.65      |

- (c) The closing prices of the Shares quoted on the Stock Exchange on the Last Trading Day was HK\$1.46.

## 7. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (b) no agreement or arrangement existed between any Director and any other person which was conditional or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (c) save for the Share Sale Agreement, no material contract had been entered into by Longevity in which any Director had a material personal interest; and
- (d) save that Mr. Kai and Ms. Hu Shicui are holding an aggregate of 5,700,000 Options conferring the right to subscribe for 5,700,000 Shares and Mr. Kai has irrevocably and unconditionally undertaken to Longevity under the Share Sale Agreement that Mr. Kai will, and he shall procure Ms. Hu Shicui, (i) not exercise any subscription rights attached

to the Options held by him/her prior to the close of the Offers; and (ii) not accept the Option Offer, none of the Directors intended, or had any agreement or arrangement, in respect of their own beneficial shareholdings or Options, to accept or reject the Offers.

## 8. SERVICE AGREEMENTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any service contracts and agreements with the Company or any of its subsidiaries or associated companies in force:

- (a) which (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the offer period (i.e. 5 December 2014);
- (b) which were continuous contracts with a notice period of 12 months or more; or
- (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

## 9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatening by or against any member of the Group.

## 10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the commencement of the offer period (as defined under the Takeovers Code) and are or may be material:

- (a) the asset transfer agreement (“Asset Transfer Agreement”) entered into between Tianjin Lion Window & Door Co., Ltd. (萊恩(天津)門窗有限公司) (“Lion Tianjin”) and Tianjin Baoshui District Investment Company Limited (天津保稅區投資有限公司) dated 5 June 2013 in respect of the acquisition of a piece of land situated at industrial lot 04-23-2 in the Airport Economic Zone, Tianjin, the PRC and the existing plant erected thereon at a consideration of RMB16,500,200 which would be settled within 5 business days after the entering into of the agreement and the Asset Transfer Agreement would be completed within 60 days after the effect of the agreement; and
- (b) the supplemental agreement entered into between Lion Tianjin and Tianjin Baoshui District Investment Company Limited (天津保稅區投資有限公司) dated 5 June 2013 in respect of the Asset Transfer Agreement to supplement the details of the documents to be provided by Tianjin Baoshui District Investment Company Limited at the completion of the Asset Transfer Agreement.

**11. CONSENTS AND QUALIFICATIONS**

| <b>Name</b>  | <b>Qualification</b>  |
|--------------|---|
| CICCHKS      | a licensed corporation permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Quam Capital | a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO   |

CICCHKS and Quam Capital have given and have not withdrawn its written consent to the issue of this Document with the inclusion of its opinions, advices, letters and references to its name in the form and context in which they appear.

**12. MISCELLANEOUS**

- (i) The company secretary of the Company is Ms. Mok Ming Wai. Ms. Mok is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (ii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Ltd.
- (iii) The registered office of the Company is situated at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.
- (iv) The principal place of business of the Company in Hong Kong is at Office E, 10th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong.
- (v) The board of directors of Longevity comprises Mr. Wei Shaojun and Ms. Zhen Xiaojing. The address of Mr. Wei Shaojun and Ms. Zhen Xiaojing is Room 302, Unit 1, Block 1, Public Security Bureau Residence, No. 93 Tuanjie East Road, Gaobeidian City, Hebei Province, PRC and No. 21 Beihuan East Road, Gaobeidian, Hebei Province, PRC. The principal members of Longevity's concert group includes (i) Longevity; and (ii) Mr. Wei, the sole shareholder and a director of Longevity.
- (vi) The registered office of Longevity is situated at 171 Main Street, Road Town, Tortola VG1110, BVI.
- (vii) The registered office of CICCHKS is situated at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (viii) The registered office of Quam Capital is situated at 18/F-19/F, China Building, 29 Queen's Road, Central, Hong Kong.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection on the websites of the SFC ([www.sfc.hk](http://www.sfc.hk)) and the Company ([www.kaishichina.com](http://www.kaishichina.com)), respectively and, during normal business hours from 9:30 a.m. to 5:30 p.m., from Monday to Friday, other than Hong Kong public holidays, at the Company's principal place of business in Hong Kong at Office E, 10th Floor China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong from the date of this Document until the close of the Offers:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of Longevity;
- (c) the annual reports of the Company for the year ended 31 December 2012 and the year ended 31 December 2013;
- (d) the interim report of the Company for the six months ended 30 June 2014;
- (e) the letter from CICCHKS, the text of which is set out in this Document;
- (f) the letter from the Board, the text of which is set out in this Document;
- (g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this Document;
- (h) the letter from Quam Capital to the Independent Board Committee, the text of which is set out in this Document;
- (i) the written consents referred to under the paragraph headed "Experts and consents" in this Appendix IV;
- (j) the material contracts referred to under the paragraph headed "Material contracts" in this Appendix IV;
- (k) the Circular;
- (l) the loan agreement dated 21 November 2014 entered into between Longevity and Luso International Banking Limited in relation to the term loan facility granted by Luso International Banking Limited to Longevity; and
- (m) the Share Sale Agreement.