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**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this Composite Document and the accompanying Form of Acceptance or as to the action you should take, 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 shares in Great China Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s), or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Share Offer contained in this Composite Document.

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**HOPEVISION GROUP LTD.**

*(Incorporated in Republic of Seychelles  
with limited liability)*



**GREAT CHINA HOLDINGS LIMITED**

**大中華集團有限公司**

*(Incorporated in Hong Kong with limited liability)  
(Stock Code: 141)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
CCB INTERNATIONAL CAPITAL LIMITED  
FOR AND ON BEHALF OF HOPEVISION GROUP LTD. TO ACQUIRE ALL  
THE ISSUED SHARES OF GREAT CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY HOPEVISION GROUP LTD. AND  
PARTIES ACTING IN CONCERT WITH IT)**

**Financial Adviser to Hopevision Group Ltd.**

**Financial Adviser to Great China Holdings Limited**



**Independent Financial Adviser to the Independent Board Committee**



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

A letter from CCBI containing, among other things, details of the terms and conditions of the Share Offer is set out on pages 9 to 17 of this Composite Document.

A letter from the Board is set out on pages 18 to 23 of this Composite Document.

A letter from the Independent Board Committee is set out on pages 24 to 25 of this Composite Document.

A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee is set out on pages 26 to 42 of this Composite Document.

The procedures for acceptance and settlement of the Share Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Acceptances of the Share Offer should be received by the Registrar by no later than 4:00 p.m. on Wednesday, 13 July 2016 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of any person wishing to accept the Share Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each such person is advised to seek professional advice on deciding whether to accept the Share Offer.

22 June 2016

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## EXPECTED TIMETABLE

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*Below is an indicative timetable showing the key dates of the relevant events<sup>(1)</sup>:*

### EVENT TIME & DATE

**2016**

Despatch date of this Composite Document and the accompanying  
Form of Acceptance and the commencement date of the Share Offer<sup>(2)</sup> . . . 22 June 2016

Latest time and date for acceptance of the  
Share Offer<sup>(3)</sup> . . . . . By 4:00 p.m. on 13 July 2016

Share Offer Closing Date . . . . . 13 July 2016

Announcement of the results of the Share Offer to be published  
on the website of the Stock Exchange<sup>(4)</sup> . . . . . By 7:00 p.m. on 13 July 2016

Latest date of posting of remittances for the amounts due under  
the Share Offer in respect of valid acceptances received  
under the Share Offer<sup>(2)&(5)</sup> . . . . . 22 July 2016

*Notes:*

1. Dates and deadlines stated in this Composite Document for events in the timetable above are indicative only and may be extended or varied. Any changes to the expected timetable will be jointly announced by the Offeror and the Company as appropriate in accordance with the Takeover Code. All times and dates refer to Hong Kong local time.
2. The Share Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from 22 June 2016 until the Closing Date. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “4. Right of Withdrawal” in Appendix I to this Composite Document.
3. The Share Offer will be closed at 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code.
4. An announcement will be jointly issued by the Offeror and the Company through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Share Offer and whether the Share Offer has been revised or extended. In the event that the Offeror decides that the Share Offer will remain open, the announcement will state the next closing date of the Share Offer or that the Share Offer will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given, before the Share Offer is closed, to those Share Offer Shareholders who have not accepted the Share Offer.
5. Remittances in respect of the cash consideration (after deducting the seller’s ad valorem stamp duty in respect of acceptances of the Share Offer) payable for the Offer Shares tendered under the Share Offer will be posted to the accepting Share Offer Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days after the date of receipt by the Registrar of duly completed Form of Acceptance and all the relevant documents of title to render the acceptance by such Shareholders respectively under the Share Offer complete and valid in accordance with Note 1 to Rule 30.2.

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## EXPECTED TIMETABLE

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Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “4. Right of Withdrawal” in Appendix I to this Composite Document.

If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

- (a) in force in Hong Kong 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 Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer 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.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

|                          |  |
|--------------------------|--|
| “acting in concert”      | has the same meaning ascribed to it under the Takeovers Code   |
| “Asian Pacific”          | Asian Pacific Investment Corporation, a company incorporated in the BVI with limited liability, a controlling shareholder of Fulcrest, is beneficially owned as to approximately 66.62% and 33.38% by Mr. Ho and Mr. Ho Ming Yu, respectively  |
| “Asian Pacific (Panama)” | Asian Pacific Investment Corporation, a company incorporated in Panama with limited liability, is a wholly owned subsidiary of Asian Pacific and owns 50.91% share capital of Fulcrest   |
| “associate”              | has the same 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 Hong Kong Securities Clearing Company Limited   |
| “CCBI”                   | CCB International Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror in respect of the Share Offer  |
| “Circular”               | the circular of the Company dated 13 May 2016, containing, details of, among others, (i) the Sale and Purchase Agreement; (ii) the Disposal Agreement, the Disposal Special Deal, Second Special Dividend and the Setting-off Arrangement; and (iii) the Lease Agreement, the Lease Extension Special Deal and continuing connected transaction and other matters including the First Special Dividend |
| “Closing Date”           | 13 July 2016, the closing date of the Share Offer, being 21 days after the date on which this Composite Document is posted, or such other later date revised or extended by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code  |
| “Company”                | Great China Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares are listed on the Main Board of the Stock Exchange with the stock code 141  |

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## DEFINITIONS

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| “Composite Document”           | this composite offer and response document jointly issued by the Offeror and the Company in relation to the Share Offer   |
| “Consideration per Sale Share” | the consideration per the Sale Shares under the Sale and Purchase Agreement of approximately HK\$3.998 per Sale Share   |
| “controlling shareholder”      | has the meaning ascribed to it in the Listing Rules   |
| “Directors”                    | the director(s) of the Company, from time to time   |
| “Disposal”                     | the disposal of the Disposal Shares and the Disposal Loan by the Company to Disposal Purchaser pursuant to the Disposal Agreement   |
| “Disposal Agreement”           | the conditional sale and purchase agreement dated 21 January 2016 (as supplemented by the Disposal Supplemental Agreement) entered into between the Company as vendor and the Disposal Purchaser as purchaser in respect of the Disposal                                    |
| “Disposal Business”            | the business carried out by the Disposal Group which is principally engaged in the (i) trading of fishmeal; (ii) property investment in Hong Kong; (iii) provision for agency services; and (iv) investment in financial assets   |
| “Disposal Companies”           | Datong Global Holdings Limited, a company incorporated in the BVI with limited liability and Xingao Limited, a company incorporated in the BVI with limited liability, each of which was a wholly owned subsidiary of the Company immediately prior the Disposal Completion |
| “Disposal Completion”          | the completion of the sale and purchase of the Disposal Shares and the Disposal Loan pursuant to the Disposal Agreement   |
| “Disposal Completion Date”     | 15 June 2016, the date on which the Disposal Completion took place  |
| “Disposal Group”               | the Disposal Companies and Disposal Subsidiaries  |
| “Disposal Loan”                | approximately HK\$205,000,000   |
| “Disposal Purchaser”           | Fulcrest  |
| “Disposal Shares”              | one share in each of the Disposal Companies, representing the issued share capital of the Disposal Companies, legally and beneficially owned by the Company immediately prior the Disposal Completion, and agreed to be sold under the Disposal Agreement                   |

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## DEFINITIONS

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| “Disposal Special Deal”           | the Disposal contemplated under the Disposal Agreement which constitutes a special deal under Note 4 to Rule 25 of the Takeovers Code  |
| “Disposal Subsidiaries”           | the subsidiaries of the Disposal Companies which operate the Disposal Business   |
| “Disposal Supplemental Agreement” | the supplemental sale and purchase agreement entered into between the Company and Disposal Purchaser on 18 April 2016 to amend certain terms of the Disposal Agreement   |
| “EGM”                             | the extraordinary general meeting of the Company held on 31 May 2016 at which, the First Special Dividend, the Second Special Dividend and the Special Deals were approved by the Shareholders   |
| “Executive”                       | Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director  |
| “First Record Date”               | 6 June 2016, the date for determining the entitlements of the Shareholders to the First Special Dividend   |
| “First Special Dividend”          | the cash dividend of HK\$1.223 per Share, which has been distributed to the qualifying Shareholders whose names are registered on the register of members of the Company on the First Record Date  |
| “Form of Acceptance”              | the form(s) of acceptance and transfer in respect of the Share Offer accompanying this Composite Document  |
| “Fulcrest”                        | Fulcrest Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 50.91% by Asian Pacific (Panama), and as to approximately 49.09% by KFH, and held 138,347,288 Shares, representing approximately 52.87% of the issued share capital of the Company immediately prior the Sale and Purchase Completion |
| “Group”                           | the Company and its subsidiaries, which consisted of the Remaining Group and the Disposal Group prior to the Disposal Completion   |
| “Hong Kong”                       | the Hong Kong Special Administrative Region of the PRC   |

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## DEFINITIONS

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| “Independent Board Committee”   | the independent committee of the Board comprising all three independent non-executive Directors, namely Mr. Yu Kam Kee Lawrence, Mr. Yu Hon To, David and Mr. Wu Hsu Chou, which has been established by the Company to make recommendations to the Share Offer Shareholders in respect of whether the Share Offer, is, or is not, fair and reasonable and as to acceptance   |
| “Independent Financial Adviser” | VMS Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee to make recommendation to the Share Offer Shareholders in respect of whether the Share Offer, is, or is not, fair and reasonable and as to acceptance |
| “Investec”                      | Investec Capital Asia Limited, a wholly owned subsidiary of Investec Bank plc, and a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities under the SFO, being the financial adviser to the Company  |
| “Joint Announcement”            | the announcement dated 4 February 2016 jointly issued by the Company and the Offeror in relation to, among others, the Sale and Purchase Agreement, the Disposal Agreement, the First Special Dividend and Second Special Dividend, the Lease Agreement and the Share Offer   |
| “KFH”                           | Kwong Fong Holdings Limited, a limited liability company incorporated in BVI, which is a wholly owned subsidiary of KFI and owns 49.09% of the issued share capital of Fulcrest   |
| “KFI”                           | Kwong Fong Industries Corporation, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation, the principal activities of which include manufacturing and sale of textile products as well as real estate development. Based on information available, Mr. Ho together with other members of Mr. Ho’s family are the single largest group of shareholders of KFI as at the Latest Practicable Date   |
| “Last Trading Day”              | 21 January 2016, being the last trading day for the Shares prior to the suspension in the trading of the Shares on the Stock Exchange pending the publication of the Joint Announcement   |



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## DEFINITIONS

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| “Latest Practicable Date”      | 17 June 2016, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein   |
| “Lease Agreement”              | the Lease Agreement dated 21 January 2016 entered into between a wholly-owned subsidiary the Company as lessor and a wholly-owned subsidiary of the Disposal Group as lessee in respect of the Lease Extension |
| “Lease Extension”              | the lease of the Shanghai Property contemplated under the Lease Agreement for a period of six months commencing from the Disposal Completion Date  |
| “Lease Extension Special Deal” | the Lease Extension contemplated under the Lease Agreement which constitutes a special deal for the Company under Rule 25 of the Takeovers Code  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Mr. Ho”                       | Mr. Ho, John Ming Tak, the Managing Director and an executive Director of the Company. Mr. Ho is a director of Fulcrest and Asian Pacific, and the younger brother of Mr. Ho Ming Yu                           |
| “Mr. Ho Ming Yu”               | the late Mr. Ho Ming Yu Rustom was the Chairman and an executive Director of the Company, and a director of Fulcrest, the elder brother of Mr. Ho  |
| “Ms. Ho”                       | Ms. Ho Yu Gia, being the non-executive Director of the Company, is the daughter of Mr. Ho Ming Yu and a niece of Mr. Ho  |
| “Offer Period”                 | has the meaning given to it in the Takeovers Code  |
| “Offer Share(s)”               | all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it   |
| “Offeror” or “Purchaser”       | Hopevision Group Ltd., an investment holding company incorporated in the Republic of Seychelles  |
| “Overseas Shareholders”        | Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong  |

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## DEFINITIONS

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| “PRC”                                      | the People’s Republic of China, for the purpose of this Composite Document, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan  |
| “PRC Properties”                           | the properties owned by the Remaining Group in the PRC   |
| “Registrar”                                | Union Registrars Limited, the share registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Share Offer  |
| “Relevant Period”                          | the period from the start date of the six month period preceding the commencement of the Offer Period (being 1 September 2015) up to and including the Latest Practicable Date   |
| “Remaining Business”                       | the business to be carried on by the Remaining Group after the Disposal Completion, which principally involves (i) the leasing of properties in the PRC; and (ii) the trading of properties                                      |
| “Remaining Group”                          | the Group (excluding the Disposal Group) immediately after the Disposal Completion   |
| “Sale and Purchase Agreement”              | the conditional sale and purchase agreement dated 21 January 2016 (as supplemented by the Sale and Purchase Supplemental Agreement) entered into between the Selling Shareholder and the Purchaser in respect of the Sale Shares |
| “Sale and Purchase Completion”             | the completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement   |
| “Sale and Purchase Completion Date”        | 15 June 2016, the date on which the Sale and Purchase Completion took place  |
| “Sale and Purchase Long Stop Date”         | 18 August 2016   |
| “Sale and Purchase Supplemental Agreement” | the supplemental sale and purchase agreement entered into among the Selling Shareholder the Purchaser and the Guarantor on 18 April 2016 to amend certain terms of the Sale and Purchase Agreement                               |
| “Sale Shares”                              | an aggregate of 138,347,288 Shares, legally and beneficially owned by the Selling Shareholder and agreed to be sold under the Sale and Purchase Agreement  |
| “Second Record Date”                       | 6 June 2016, the date for determining the entitlements of the Shareholders to the Second Special Dividend  |

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## DEFINITIONS

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|----------------------------|---|
| “Second Special Dividend”  | the dividend in the amount of HK\$3.085 per Share to be distributed to the qualifying Shareholders whose names are registered on the register of members of the Company on the Second Record Date   |
| “Selling Shareholder”      | Fulcrest, holding in aggregate 138,347,288 Shares (representing approximately 52.87% of the issued capital of the Company) immediately prior the Sale and Purchase Completion   |
| “Setting-off Arrangement”  | the settlement of any money payable by the Remaining Group to the Disposal Purchaser (i.e. Second Special Dividend) by way of setting-off all indebtedness owed to the Remaining Group by the Disposal Purchaser (i.e. the Disposal Loan) upon Disposal Completion and which constitutes a special deal for the Company under Rule 25 of the Takeovers Code |
| “SFC”                      | the Securities and Futures Commission   |
| “SFO”                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time   |
| “Shanghai Property”        | Units 6D and 6E, Merry Tower, No. 168 Zhenning Road, Jingan District, Shanghai, the PRC   |
| “Shareholder(s)”           | holder(s) of Shares   |
| “Share Offer”              | the unconditional mandatory cash offer made by CCBI on behalf of the Offeror for all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code   |
| “Share Offer Completion”   | the completion of the Share Offer   |
| “Share Offer Price”        | the price at which the Share Offer will be made, being HK\$3.998 per Share  |
| “Share Offer Shareholders” | Shareholders other than the Offeror and parties acting in concert with it   |
| “Shares”                   | the ordinary shares of no par value in the issued share capital of the Company  |
| “Special Deals”            | the Disposal Special Deal, the Setting-off Arrangement and the Lease Extension Special Deal   |
| “Stock Exchange”           | The Stock Exchange of Hong Kong Limited   |

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## DEFINITIONS

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|---------------------------|--|
| “Supplemental Agreements” | the Disposal Supplemental Agreement and the Sale and Purchase Supplemental Agreement |
| “Takeovers Code”          | the Hong Kong Code on Takeovers and Mergers  |
| “Trading Day”             | a day on which the Stock Exchange is open for trading in Hong Kong                   |
| “HK\$”                    | Hong Kong dollars, the lawful currency of Hong Kong                                  |
| “%”                       | per cent.  |



22 June 2016

*To the Share Offer Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CCB INTERNATIONAL CAPITAL LIMITED  
FOR AND ON BEHALF OF HOPEVISION GROUP LTD.  
TO ACQUIRE ALL THE ISSUED SHARES  
OF GREAT CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY HOPEVISION GROUP LTD.  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 4 February 2016, it was jointly announced by the Offeror and the Company that the Selling Shareholder and the Offeror entered into the Sale and Purchase Agreement on 21 January 2016, pursuant to which the Selling Shareholder agreed to sell, and the Offeror agreed to acquire, the Sale Shares, representing approximately 52.87% of the then issued share capital of the Company, for a consideration of HK\$552,998,120 (equivalent to approximately HK\$3.998 per Sale Share) free from all encumbrances and with all rights attached to the Sale Shares (save for the First Special Dividend and Second Special Dividend). Immediately following the Share Purchase Completion which took place on 15 June 2016, the Offeror and parties acting in concert with it became interested in a total of 138,347,288 Shares, representing approximately 52.87% of the issued share capital of the Company as at the Latest Practicable Date.

Accordingly, the Offeror is required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

This letter sets out, among other things, the details of the Share Offer, information on the Offeror and the intention of the Offeror regarding the Remaining Group. Further terms and procedures of acceptance of the Share Offer are set out in Appendix I to this Composite Document of which this letter forms part, and the accompanying Form of Acceptance.

The Share Offer Shareholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from Independent Financial Advisor” as set out in this Composite Document.

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## LETTER FROM CCBI

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### THE SHARE OFFER

#### Principal terms of the Share Offer

CCBI, for and on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Share Offer for all the Offer Shares on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

**For every Offer Share held . . . . . HK\$3.998 in cash**

The Share Offer Price is not less than the consideration per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and the Selling Shareholder.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be approximately HK\$493.1 million based on the Share Offer Price and 123,337,622 Shares under the Share Offer.

Based on the Share Offer Price of HK\$3.998 per Offer Share and 261,684,910 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$1,046.2 million.

The Share Offer will extend to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with it on the date on which the Share Offer is made, being the date of despatch of this Composite Document.

The Share Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

#### **Total benefit receivable by Shareholders under the Share Offer, the First Special Dividend and Second Special Dividend**

At the EGM held on 31 May 2016, the Shareholders approved the distribution of the First Special Dividend of HK\$1.223 per Share and the Second Special Dividend of HK\$3.085 per Share.

Shareholders will be entitled to the First Special Dividend and the Second Special Dividend whether they accept the Share Offer or not during the Offer Period. The Selling Shareholder will receive an aggregate of approximately HK\$8.306 per Share from the sale proceeds of the Sale Shares, the First Special Dividend and the Second Special Dividend. Similarly, the other Shareholders will receive a total benefit of approximately HK\$8.306 per Share from the First Special Dividend and the Second Special Dividend and the Share Offer if they accept the Share Offer.

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## LETTER FROM CCBI

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### Comparison of value

The Share Offer Price of HK\$3.998 per Offer Share represents:

- (a) a premium of approximately 10.44% over the closing price of the Shares of HK\$3.62 per Share as quoted on the Stock Exchange on the last Business Day immediately preceding the commencement of the Offer Period;
- (b) a discount of approximately 29.61% to the closing price of the Shares of HK\$5.680 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 191.40% over the ex-dividend closing price of the Shares of HK\$1.372 per Share as quoted on the Stock Exchange on the Last Trading Day after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared;
- (d) a discount of approximately 29.01% to the average closing price of the Shares of approximately HK\$5.632 per Share for the five consecutive Trading Days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 201.96% over the ex-dividend closing price of the Shares of HK\$1.324 per Share for the last five consecutive Trading Days up to and including Last Trading Day after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared;
- (f) a discount of approximately 29.90% to the average closing price of the Shares of approximately HK\$5.703 per Share for the ten consecutive Trading Days immediately prior to and including the Last Trading Day;
- (g) a premium of approximately 186.59% over the ex-dividend closing price of the Shares of HK\$1.395 per Share for the last ten consecutive Trading Days up to and including the Last Trading Day after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared;
- (h) a discount of approximately 31.06% to the average closing price of the Shares of approximately HK\$5.799 per Share for the 30 consecutive Trading Days immediately prior to and including the Last Trading Day;
- (i) a premium of approximately 168.14% over the ex-dividend closing price of the Shares of HK\$1.491 per Share for the last 30 consecutive Trading Days up to and including the Last Trading Day after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared;

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## LETTER FROM CCBI

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- (j) a discount of approximately 31.87% to the unaudited net asset value attributable to equity holders as at 31 December 2015 of approximately HK\$5.868 per Share (based on the audited net asset value attributable to equity holders of approximately HK\$1,535.6 million as at 31 December 2015 and 261,684,910 Shares in issue as at the Latest Practicable Date); and
- (k) a premium of approximately 156.28% over the ex-dividend unaudited net asset value attributable to equity holders as at 31 December 2015 of approximately HK\$1.560 per Share (based on the audited net asset value attributable to equity holders of approximately HK\$1,535.6 million as at 31 December 2015 and 261,684,910 Shares in issue as at the Latest Practicable Date) after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared.

### **Highest and lowest Share prices**

During the period from the date falling six months preceding the commencement of the Offer Period (being 1 September 2015) up to and including the Latest Practicable Date:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$8.330 on 1 June 2016; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.700 on 8 July 2015.

### **Financial resources available to the Offeror**

The Offeror intends to finance the cash consideration payable under the Share Offer by its internal resources. CCBI, as the financial adviser to the Offeror, is satisfied that sufficient resources are available to the Offeror to satisfy the amount of funds required for full acceptance of the Share Offer.

The Offeror does not intend that payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

### **Payment**

Payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) after the date on which the duly completed Form of Acceptance and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid under Note 1 to Rule 30.2 of the Takeovers Code.



### **Effect of accepting the Share Offer**

The Share Offer is unconditional. By accepting the Share Offer, the Shareholders will sell their Shares free from all encumbrances and together with all rights accruing or attaching thereto including, without limitation, the right to all dividends and distributions (for the avoidance of doubt, excluding the entitlement to the First Special Dividend and the Second Special Dividend) which may be recommended, declared, paid or made by reference to a record date on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Share Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Share Offer are free from all encumbrances and together with all rights accruing or attaching thereto including, without limitation, the right to receive dividends and distributions (for the avoidance of doubt, excluding the entitlement to the First Special Dividend and the Second Special Dividend) recommended, declared, made or paid, if any, by reference to a record date on or after the date on which the Share Offer is made. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Hong Kong stamp duty**

The seller's Hong Kong *ad valorem* stamp duty on acceptances of the Share Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's *ad valorem* stamp duty on behalf of the relevant Shareholders accepting the Share Offer and pay the buyer's Hong Kong *ad valorem* stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Settlement of the consideration of the Share Offer**

Settlement of the consideration for the Share Offer (after deducting the accepting Shareholders' share of stamp duty) will be made as soon as possible but in any event within 7 business days (as defined under the Takeovers Code) after the date on which the duly completed Form of Acceptance and the relevant documents of title of the Shares are received by the Offeror (or its agent) to render each such acceptance complete and valid.

### **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Share Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

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## LETTER FROM CCBI

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### Dealing and interests in the Company's securities

During the six months immediately prior to 1 September 2015 (being the date of commencement of the Offer Period) and up to the Latest Practicable Date, save for the Sale and Purchase Agreement, the Offeror and parties acting in concert with it had not dealt in nor did they have any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

### Overseas Shareholders

The Offeror intends to make the Share Offer (or any mandatory unconditional cash offer referred to herein) available to all Share Offer Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Share Offer (or any mandatory unconditional cash offers referred to herein) to persons not residing in Hong Kong and the ability of Overseas Shareholders to participate in the Share Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions. Share Offer Shareholders 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 each Overseas Shareholder who wish to accept the Share Offer to satisfy himself/herself/itself 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 consents 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 an Overseas Shareholder will be deemed to constitute a representation and warranty from such person to the Offeror, CCBI and the Company that he/she/it has observed and is permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and that, such acceptance shall be valid and binding in accordance with all applicable laws. Share Offer Shareholders should consult their professional advisers if in doubt.

### INFORMATION OF THE OFFEROR

The Offeror is an investment holding company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, the Offeror was an indirect wholly-owned subsidiary of Shanghai Chongsheng Investment Management Co. Ltd., which was owned as to 99% by Mr. Jiang Tian (“**Mr. Jiang**”) and 1% by Mr. Gong Biao. Mr. Jiang is the sole director of each of the Offeror and Shanghai Chongsheng Investment Management Co. Ltd. Mr. Jiang together with companies controlled by him are principally engaged in property investment, hotel management and property management in the PRC. Mr. Jiang has over 10 years of experience in the property industry and hotel management in the PRC. He is a majority shareholder and the sole director of Shanghai Sky Fortune Hotel Management Limited\* (上海天禧嘉福酒店管理有限公司) which is principally engaged in hotel management in the PRC.

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## LETTER FROM CCBI

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### **INTENTIONS OF THE OFFEROR FOR THE REMAINING GROUP**

The Offeror intends to continue the existing operations of property investment of the Remaining Group and to focus on investment of commercial properties in cities of the PRC and acquire good quality properties in such cities as and when opportunities arise. Currently there is no intention to scale down or dispose of any business, or redeploy any fixed assets, of the Remaining Group. The Offeror will also conduct a detailed review on the financial condition and the operations of the Remaining Group and formulate long-term business plans and strategy for the future business development of the Remaining Group. Subject to the results of the review, the Offeror may explore other business opportunities particularly in the property sector with a view to enhance the growth and future development of the Remaining Group.

As at the Latest Practicable Date, the Offeror had no plans to acquire any assets or businesses into the Remaining Group, or for the Remaining Group to engage in development of property projects. Neither has the Offeror identified any potential business opportunities to be taken up by the Remaining Group. The Offeror intends to maintain not less than the current number of staff in the Remaining Group for the operations of the Remaining Group. Going forward, as the business of the Remaining Group may grow upon acquisition of investment properties and exploration of new business opportunities, additional staff may be recruited to manage and operate the business.

### **PROPOSED CHANGE OF BOARD COMPOSITION**

The Board is currently made up of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

All of the existing Directors have tendered their resignation, which will take effect from the earliest time permitted under the Takeovers Code (i.e. the Closing Date, or such other date as approved by the Executive). The Offeror intends to nominate new Directors to the Board at the earliest time as allowed under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

Such proposed nomination and appointment of new Directors had not yet become effective as at the Latest Practicable Date. Further announcement(s) will be made upon any changes to the composition of the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as appropriate. Save for the indirect interest of Mr. Gong Biao (being one of the proposed Directors nominated by the Offeror) in the Sale Shares through his 1% shareholding interest in the Offeror, none of the proposed Directors or any party acting in concert with any of them held any interest in the Shares as at the Latest Practicable Date.

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

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Share Offer.

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## LETTER FROM CCBI

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In the event that the public float of the Company falls below 25% after the close of the Share Offer, the new Director(s) (if any) to be nominated by the Offeror as Director(s) and the then Director(s) will jointly and severally undertake to the Stock Exchange to take appropriate steps to restore the minimum public float as required under the Listing Rules following the close of the Share Offer to ensure that sufficient public float exists for the Shares.

**If, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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
- there are insufficient Shares in public hands to maintain an orderly market,

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

### **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Share Offer.

### **ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

### **GENERAL**

To ensure equality of treatment of all Share Offer Shareholders, those registered Share Offer Shareholders who hold the Shares as nominee 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 Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

Attention of the Overseas Shareholders is drawn to the paragraph headed "Overseas Shareholders" above in this letter.

All documents and remittances to be sent to the Share Offer Shareholders will be sent to them by ordinary post at their own risk to their respective addresses as they appear in the register of members of the Company, or in the case of joint Share Offer Shareholders, to such Share Offer Shareholder whose name appears first in the register of members of the Company in respect of the joint holding. The Offeror, its ultimate beneficial owners and parties acting in concert with any of them, the Company, CCBI, the Independent Financial Adviser, the Registrar or any of their respective directors or professional advisers or any

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## LETTER FROM CCBI

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other parties involved in the Share Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Share Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are reminded to carefully read the “Letter from the Board”, the advice of the Independent Board Committee, the recommendation of the Independent Financial Adviser and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

Yours faithfully,  
For and on behalf of  
**CCB International Capital Limited**  
**Simon Lee**  
*Managing Director*



**GREAT CHINA HOLDINGS LIMITED**

**大中華集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 141)**

*Executive Directors:*

Mr. John Ming Tak HO (*Managing Director*)  
Mr. Patrick Kwok Wai POON  
Mr. Maung Tun MYINT

*Registered office and Head Office:*

Unit D, 26/F  
United Centre  
No. 95 Queensway  
Hong Kong

*Non-executive Director:*

Ms. Yu Gia HO

*Independent non-executive Directors:*

Mr. Lawrence Kam Kee YU *BBS, MBE, JP*  
Mr. David Hon To YU  
Mr. Hsu Chou WU

22 June 2016

*To the Shareholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CCB INTERNATIONAL CAPITAL LIMITED  
FOR AND ON BEHALF OF HOPEVISION GROUP LTD. TO ACQUIRE ALL  
THE ISSUED SHARES OF GREAT CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY HOPEVISION GROUP LTD. AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

References are made to the Joint Announcement, the Circular and the announcement of the Company in relation to the Sale and Purchase Completion and Disposal Completion dated 15 June 2016.

The Sale and Purchase Completion and Disposal Completion took place simultaneously on 15 June 2016.

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## LETTER FROM THE BOARD

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Immediately after the Sale and Purchase Completion, the Offeror and parties acting in concert with it became interested in a total of 138,347,288 Shares, representing approximately 52.87% of the entire issued share capital of the Company as at the Latest Practical Date. Accordingly, the Offeror is required to make a mandatory unconditional cash offer for the acquisition of all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rules 26.1 of the Takeovers Code. As the Offeror and parties acting in concert with it are holding more than 50% of the issued share capital of the Company, the Share Offer is unconditional.

CCBI, being the financial adviser to the Offeror, is making the Share Offer for and on behalf of the Offeror.

The purpose of this Composite Document is to provide you with, inter alia, (i) information relating to the Group and the Share Offer; (ii) the letter from the Independent Board Committee containing its recommendation to the Share Offer Shareholders in respect of the terms of the Share Offer and as to acceptance; and (iii) the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Share Offer Shareholders in respect of the terms of the Share Offer and as to acceptance.

### **A. UNCONDITIONAL MANDATORY CASH OFFER FOR SHARES**

The following information about the Share Offer is based on the relevant information set out in the letter from CCBI contained in this Composite Document. The Share Offer is being made by CCBI for and on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in this Composite Document and in the accompanying Form of Acceptance on the following basis:

For each Offer Share . . . . . HK\$3.998 in cash

The Share Offer Price of HK\$3.998 per Offer Share under the Share Offer is the same as Consideration per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

You are advised to refer to the letter from CCBI and Appendix I to this Composite Document for further terms and details of the Share Offer and procedures for acceptance, and the accompanying Form of Acceptance for further details and procedures for acceptance and settlement of the Share Offer.

### **B. INFORMATION ON THE GROUP**

The Company is a company incorporated in Hong Kong with limited liability and its Shares are listed on the Main Board of the Stock Exchange.

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## LETTER FROM THE BOARD

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Following the Disposal Completion which took place on 15 June 2016, the Remaining Group continues to operate the Remaining Business which principally involves property investment business in Shanghai and sales of properties business in Shanghai and Hainan Province of the PRC.

### **Assets of the Remaining Group**

The Remaining Group has residential and retail property units, car parking spaces located in Shanghai, the PRC and a residential property unit in Hainan, the PRC (i.e. the PRC Properties). As at 31 December 2015, the PRC Properties has a gross floor area of not less than 16,000 sq.m. and the PRC Properties contributed an average monthly rental income of not less than RMB1.5 million during the year ended 31 December 2015.

As at 31 December 2015, the PRC Properties were classified into investment property, property held for sale or property, plant and equipment in the audited financial statements of the Group. As at the Latest Practicable Date, most of the PRC Properties were being leased out for rental income, a small number of which were awaiting to be leased out, a residential unit in Hainan and certain residential units in Shanghai were held for sale and the Shanghai Property was being used as one of the Group's offices. Further details of the PRC Properties, including the respective description of the PRC Properties, their market valuation, the respective lease information as at 31 March 2016 and other additional information, are set out in the valuation report for PRC Properties in Appendix III of the Composite Document.

Notwithstanding that the last property sale conducted by the Group was in 2008, the Group has a number of properties designated as "held for sale" on its financial statements. Furthermore, the Group has received enquiries in relation to the possible sale of a number of these "held for sale" properties from time to time.

Based on the information of the PRC Properties and the Remaining Group, the Board is of the view that the Remaining Group would have sufficient level of operations or assets of sufficient value to warrant the continued listing of its securities, with due compliance with Rule 13.24 of the Listing Rules.

As set out in the section headed "Intentions of the Offeror for the Remaining Group" in the letter from CCBI in this Composite Document, upon the Disposal Completion and Sale and Purchase Completion, the Offeror intends to continue the existing operations of property investment of the Remaining Group and to focus on investment of commercial properties in cities of the PRC and acquire good quality properties in such cities as and when opportunities arise. As at the Latest Practicable Date, the Offeror has no plans to acquire any assets or businesses into the Remaining Group, or for the Remaining Group to engage in development of property projects. Neither has the Offeror identified any potential business opportunities to be taken up by the Remaining Group. Currently there is no intention on the part of the Offeror to scale down or dispose of any business of the Remaining Group.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding or undertaking, and negotiation (whether concluded or not) to dispose the Remaining Business of the Remaining Group and that the Company has no intention to dispose of its Remaining Business of the Remaining Group.

The Board is aware of the intention of the Offeror in respect of the Company and its employees and is willing to render reasonable co-operation to the Offeror which is in the interests of the Company and the Shareholders as a whole.

The financial information on the Group is set out in Appendix II to this Composite Document.

### Shareholding structure of the Company

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

|  | Number of<br>Shares held  | Approximate<br>% of Shares<br>in issue |
|--|---------------------------|--|
| KFH <sup>(1)</sup>   | 710,000                   | 0.27                                   |
| KFI <sup>(2)</sup>   | 8,680,000                 | 3.32                                   |
| Spouse of Mr. Ho <sup>(3)</sup>                                    | 1,076,000                 | 0.41                                   |
| Daughter of Mr. Ho <sup>(3)</sup>                                  | <u>20,000</u>             | <u>0.01</u>                            |
| Sub-total of parties acting<br>in concert with Selling Shareholder | 10,486,000                | 4.01                                   |
| Offeror and parties acting in concert with it                      | 138,347,288               | 52.87                                  |
| Other Shareholders   | <u>112,851,622</u>        | <u>43.12</u>                           |
| Total  | <u><u>261,684,910</u></u> | <u><u>100.00</u></u>                   |

*Notes:*

- (1) *KFH is a wholly owned subsidiary of KFI as at the Latest Practicable Date. This shareholding position represents KFH's direct shareholding in the Company only.*
- (2) *KFI holds the entire issued share capital of KFH as at the Latest Practicable Date. This shareholding position represents KFI's direct shareholding in the Company only and excludes the Share held by KFH.*
- (3) *Such shareholding represents their respective direct shareholding in the Company as at the Latest Practicable Date.*

### C. INFORMATION ON THE OFFEROR

Information on the Offeror is referred to the section headed "Information on the Offeror" in the letter from CCBI set out in this Composite Document.

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## LETTER FROM THE BOARD

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

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

- i. a false market exists or may exist in the trading of the Shares; or
- ii. 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.

As stated in the letter from CCBI set out in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The Offeror 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.

### **E. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to make a recommendation to the Share Offer Shareholders in respect of whether the Share Offer is fair and reasonable for acceptance or not. The Independent Board Committee has not, included the non-executive Director, Ms. Ho, as Ms. Ho is the daughter of Mr. Ho Ming Yu, who was a director of Fulcrest.

The appointment of VMS Securities Limited has been approved by the Independent Board Committee to advise the Independent Board Committee to make recommendation to the Share Offer Shareholders in respect of whether the Share Offer is fair and reasonable for acceptance or not pursuant to Rule 2.1 of the Takeovers Code.

### **F. RECOMMENDATION**

The Board (including the Independent Board Committee after taking into account the advice from the Independent Financial Adviser) considers that the terms of the Share Offer are fair and reasonable and in the interests of the Share Offer Shareholders. Accordingly, the Board recommends the Share Offer Shareholders to accept the Share Offer.

Share Offer Shareholders who wish to realise their investment in the Group are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Share Offer. In any event, Share Offer 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 during or after the Offer Period of the Share Offer.

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## LETTER FROM THE BOARD

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### H. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 24 to 25 of this Composite Document which contains its views and recommendation to the Share Offer Shareholders in respect of the Share Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 26 to 42 of this Composite Document which contains its views and recommendation to Independent Board Committee in respect of the Share Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,  
By Order of the Board  
**Great China Holdings Limited**  
**John Ming Tak Ho**  
*Managing Director*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**GREAT CHINA HOLDINGS LIMITED**

**大中華集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 141)**

22 June 2016

*To the Share Offer Shareholders*

Dear Sirs/Madams,

We refer to the Composite Document dated 22 June 2016 issued by the Company to the Shareholders, of which this letter forms part. Terms defined in the Composite Document shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to make recommendation to the Share Offer Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out in the section headed “Letter from the Independent Financial Adviser” in this Composite Document.

We wish to draw your attention to the sections headed “Letter from the Board”, “Letter from CCBI” and the additional information set out in the appendices to this Composite Document for the terms and details of the Share Offer.

Having considered (i) the terms of the Share Offer; and (ii) the advice from Independent Financial Adviser and the principal factors taken into account in arriving at its recommendations in respect of the Share Offer, we are of the opinion that the Share Offer is fair and reasonable so far as the Share Offer Shareholders are concerned. Accordingly, we recommend the Share Offer Shareholders to accept the Share Offer.

In view of the recent surge in the Share price of the Company, Share Offer Shareholders who wish to realise their investment in the Company are reminded that they should carefully and closely monitor the market price of the Company during the Share Offer period and consider selling their Shares in the open market during the Share Offer period, rather than accepting the Share Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Share Offer.

Those Share Offer Shareholders who decide to retain part or all of their investment in the Shares should carefully monitor the intentions of the Offeror regarding the Group in the future and the potential difficulties the Independent Shareholders may encounter in disposing of their investments in the Shares after the close of the Share Offer. Further details and terms of the Offer are set out in the Letter from CCBI and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Yours faithfully,  
The Independent Board Committee

**Mr. Lawrence Kam Kee YU**

*BBS, MBE, JP*

*Independent*

*Non-executive Director*

**Mr. David Hon To YU**

*Independent*

*Non-executive Director*

**Mr. Hsu Chou WU**

*Independent*

*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of the letter of advice from VMS Securities Limited to the Independent Board Committee prepared for inclusion in this Composite Document.*



VMS Securities Limited  
49/F, One Exchange Square  
8 Connaught Place, Central, Hong Kong  
香港中環康樂廣場8號交易廣場1期49樓  
Tel/電話: (852) 2996 2100  
Fax/傳真: (852) 2996 1210

22 June 2016

To: *The Independent Board Committee of Great China Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CCB INTERNATIONAL CAPITAL LIMITED  
FOR AND ON BEHALF OF HOPEVISION GROUP LTD. TO ACQUIRE ALL  
THE ISSUED SHARES OF GREAT CHINA HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED  
BY HOPEVISION GROUP LTD. AND  
PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Share Offer, details of which are set out in the Composite Document, of which this letter forms a part. This letter contains our advice to the Independent Board Committee as to whether the Share Offer is fair and reasonable and as to acceptance of the Share Offer. Unless otherwise stated, terms defined in the Composite Document shall have the same meanings in this letter.

On 4 February 2016, the Company and the Offeror jointly announced that on 21 January 2016, the Selling Shareholder and the Offeror entered into the Sale and Purchase Agreement (supplemented by the Sale and Purchase Supplemental Agreement dated 18 April 2016), pursuant to which the Selling Shareholder agreed to sell and the Offeror agreed to acquire the Sale Shares, representing approximately 52.87% of the then issued share capital of the Company, for a consideration of HK\$552,998,120 (equivalent to approximately HK\$3.998 per Sale Share) free from all encumbrances and with all rights attached to the Sale Shares (save for the First Special Dividend and the Second Special Dividend).

Immediately following the Sale and Purchase Completion which took place on 15 June 2016, the Offeror and parties acting in concert with it became interested in a total of 138,347,288 Shares, representing approximately 52.87% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Code, the Offeror is required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Yu Kam Kee Lawrence, Mr. Yu Hon To David and Mr. Wu Hsu Chou has been formed to make a recommendation to the Share Offer Shareholders as to whether the Share Offer, is, or is not fair and reasonable and as to acceptance.

In accordance with Rule 2.1 of the Takeovers Code, we have been approved and appointed by the Independent Board Committee to advise the Independent Board Committee to make recommendation to the Share Offer Shareholders in respect of the Share Offer. During the past two years, we had no past engagement with the Group. Also, as at the Latest Practicable Date, we were independent from and not connected with the Group. Accordingly, in compliance with Rule 2 of the Takeovers Code, we are qualified to give independent advice to the Independent Board Committee in relation to the Share Offer and as to its acceptance. Apart from the normal advisory fees payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee, no arrangement exists whereby we will receive any fees or benefits from the Company.

### **BASIS AND ASSUMPTIONS OF OUR OPINION**

In formulating our opinion, we have relied solely on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely responsible for, are true, accurate and valid at the time they were made and will continue to be so at the Latest Practicable Date. We have also assumed that all the opinions and representations made or provided by the Directors and the management of the Company contained in the Composite Document have been reasonably made after due and careful enquiry. In addition, we have sought and obtained confirmation from the Company, the Directors, and the management of the Company that no material facts have been omitted from the information provided and referred to in the Composite Document. Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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opinions and representations provided to us by the Company, the Directors and the management of the Company and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not considered the tax and regulatory consequences on the Share Offer Shareholders of acceptance or non-acceptance of the Share Offer since these are particular to their individual circumstances. In particular, Share Offer Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Share Offer, we have taken into consideration the following principal factors and reasons:

#### 1. Terms of the Share Offer

CCBI, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Share Offer for all the Offer Shares on the terms set out in the Composite Document in accordance with the Takeovers Code on the following basis:

**For every Offer Share held . . . . . HK\$3.998 in cash**

The Share Offer Price is not less than the consideration per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and the Selling Shareholder.

In the event that the Share Offer is accepted in full, the maximum amount payable by the Offeror under the Share Offer will be approximately HK\$493.1 million based on the Share Offer Price and 123,337,622 Shares under the Share Offer.

Based on the Share Offer Price of HK\$3.998 per Offer Share and 261,684,910 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK\$1,046.2 million.

The Share Offer will extend to all Shares in issue other than those Shares held by the Offeror and parties acting in concert with it on the date on which the Share Offer is made, being the date of despatch of the Composite Document.

The Share Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.



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Details and the terms of the Share Offer are set out in the letter from CCBI (the “Letter from CCBI”) and Appendix I to the Composite Document.

### 2. Information on the Remaining Group

#### *(a) Principal business*

Following the Disposal Completion which took place on 15 June 2016, the Remaining Group will continue operating the Remaining Business which principally involves (i) property investment in the PRC (i.e. held for rental income earning and/or capital appreciation); and (ii) sales of properties in the PRC.

#### *(b) Historical financial information*

Referring to the information as disclosed in the Circular dated 13 May 2016 in relation to, among others, the Sale and Purchase Agreement and the Disposal Agreement, for each of the three years ended 31 December 2015, revenue of the Remaining Group primarily represented rental income in the PRC.

##### *For the years ended 31 December 2014 and 2013*

For the year ended 31 December 2014, revenue of the Remaining Group was approximately HK\$22.3 million, which represented the rental income from the Remaining Group’s residential and commercial units and shopping arcade in the PRC and was maintained at a similar level compared to that of 2013.

For the year ended 31 December 2014, profit from the Remaining Group attributable to the owners of the Company was approximately HK\$98.3 million, representing an increase of approximately 597.2% compared to that of 2013 of approximately HK\$14.1 million. Such substantial increase was primarily attributable to (i) a one-off income of approximately HK\$48.2 million from reversal of warranty provision of taxes and claims which was made due to the disposal of an associate in 2012 and the reversal was made as a result of the expiry of the warranty period in 2014; and (ii) the increase in fair value gain of the investment properties in the PRC of approximately HK\$43.0 million.

##### *For the years ended 31 December 2015 and 2014*

For the year ended 31 December 2015, revenue of the Remaining Group decreased by approximately 9.0% to approximately HK\$20.3 million compared to that of 2014. Such revenue mainly represented the rental income from the Remaining Group’s residential and commercial units and shopping arcade in the PRC. The decrease was primarily attributable to the termination of a lease agreement during the year.

Profit from the Remaining Group attributable to the owners of the Company for the year ended 31 December 2015 was approximately HK\$37.2 million, which represented (i) the gross rental income less outgoings, corporate expenses and income tax expenses of approximately HK\$5.8 million, (ii) the reversal of provision for PRC taxes and charges of approximately HK\$3.4 million and (iii) the fair value gain on investment properties of HK\$28 million. It represents a decrease of approximately 62.2% from approximately HK\$98.3 million for the year ended 31 December 2014. The decrease was primarily attributable to (i) the absence of a one-off income of approximately HK\$48.2 million from reversal of warranty provision of taxes and claims; and (ii) the decrease in fair value gain of the investment properties in the PRC of approximately HK\$15.9 million.

*(c) Business Prospects*

As stated in the section headed “Intentions of the Offeror for the Remaining Group” set out in the Letter from CCBI, the Offeror intends to continue the existing operations of property investment of the Remaining Group and to focus on investment of commercial properties in Shanghai and Hainan of the PRC and acquire good quality properties in such cities as and when opportunities arise. Currently there is no intention to scale down or dispose of any business of the Remaining Group. The Offeror will also conduct a detailed review on the financial condition and the operations of the Remaining Group and formulate long-term business plans and strategy for the future business development of the Remaining Group. Subject to the results of the review, the Offeror may explore other business opportunities particularly in the property sector with a view to enhance the growth and future development of the Remaining Group. As at the Latest Practicable Date, the Offeror had no plans to acquire any assets or businesses into the Remaining Group, or for the Remaining Group to engage in development of property projects. Neither has the Offeror identified any potential business opportunities to be taken up by the Remaining Group. The Offeror intends to maintain not less than the current number of staff in the Remaining Group for the operations of the Remaining Group. Going forward, as the business of the Remaining Group may grow upon acquisition of investment properties and exploration of new business opportunities, additional staff may be recruited to manage and operate the business.

As stated in the annual report for the year ended 31 December 2015, the PRC Properties are mainly located in Shanghai and were classified into (i) investment properties comprising residential and commercial units and shopping arcade for rental purpose, (ii) properties held for sale comprising residential and commercial units and (iii) property used as one of the Group’s offices, constituting approximately 89.52%, 8.32% and 2.16% of the total gross floor area of the PRC Properties, respectively. As further stated in the letter from the Board (the “**Letter from the Board**”), the PRC Properties contributed an average monthly

rental income of not less than RMB1.5 million during the year ended 31 December 2015. Further details of the PRC Properties are set out in the valuation report for the PRC Properties in Appendix III to the Composite Document.

According to the Shanghai Statistics Bureau, Shanghai property sale market was relatively active throughout the year 2015 and continued to boom in Q1 2016. In Q1 2016, the floor space of sold properties was 5,018,300 sq.m., up 27.3% year-on-year. The growth rate of the floor space of sold properties was up 10.7% than that of last year. The floor space of sold residential properties was 4,203,300 sq.m., up 19.7% year-on-year. To avoid housing bubbles and control the booming property prices since 2015, a series of policies were introduced in March 2016 by the Shanghai Municipal People's Government (the "**Shanghai Government**") (i.e.: (i) raising down-payment ratio from 40% to 50% for ordinary housing; (ii) increasing tax proof requirements for non-local residents from 2 years to 5 years; and (iii) forbidding down payment loans). It is anticipated that both sales volume and property price may fall due to the new residential policies launched by the Shanghai Government. In light of above and the fact that approximately 92% of the PRC Properties held for sale of the Group are located in Shanghai, we consider that the prospects of sale of properties in the PRC is challenging.

As regards to the house leasing market, on 6 May 2016, as disclosed in the State Council's policy briefing transcript, the PRC Government has put the healthy growth and development of the house leasing market as one of its top priorities. In order to tackle a rapidly-growth rental market with prominent problems (such as substandard suppliers, a disorderly market and the lack of complete laws and regulations, the Ministry of Housing and Urban-Rural Development has worked out and put forward policies that were approved by the State Council on 4 May 2016 in principle. These policies include the increase of market suppliers and encouraging lease consumption, the construction of rental houses and strengthening the regulation of house leasing activities, etc. These policies aim to cool down overheated rental market in first-tier cities such as Beijing and Shanghai since 2015 till Q1 2016. As the revenue of the Remaining Group is mainly derived from rental income of properties located in Shanghai, the effect of such policies, when materialized, could have negative impact on the Remaining Group but is uncertain at present. We are therefore cautious on the outlook and future prospects of the Remaining Group with respect to its leasing business in the PRC.

Having considered that (i) the Offeror's intention not to acquire any assets or businesses into the Remaining Group nor engage in property development as at the Latest Practicable Date; (ii) the prospects of sale of properties will be challenging due to the tightening policy implemented by the Shanghai Government, and (iii) the atmosphere of the Shanghai rental market is uncertain because of the proposed implementation of new house rental policies, we remain cautious about the outlook and prospects of the Remaining Group.

**3. Background and intention of the Offeror**

*(a) Information on the Offeror*

The Offeror is an investment holding company incorporated in the Republic of Seychelles. As at the Latest Practicable Date, the Offeror was an indirect wholly-owned subsidiary of Shanghai Chongsheng Investment Management Co. Ltd., which was owned as to 99% by Mr. Jiang Tian (“Mr. Jiang”) and 1% by Mr. Gong Biao. Mr. Jiang together with companies controlled by him are principally engaged in property investment, hotel management and property management in the PRC. Mr. Jiang has over 10 years of experience in the property industry and hotel management in the PRC. He is a majority shareholder and the sole director of Shanghai Sky Fortune Hotel Management Limited\* (上海天禧嘉福酒店管理有限公司) which is principally engaged in hotel management in the PRC.

*(b) Proposed change of Board composition*

The Board is currently made up of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

All of the existing Directors have tendered their resignation, which will take effect from the earliest time permitted under the Takeovers Code (i.e. the Closing Date, or such other date as approved by the Executive).

Such proposed nomination of new Directors had not yet been finalised as at the Latest Practicable Date. Further announcement(s) will be made upon any changes to the composition of the Board in accordance with the requirements of the Listing Rules and the Takeovers Code as appropriate.

*(c) Maintaining the listing status of the Company*

The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Share Offer.

In the event that the public float of the Company falls below 25% after the close of the Share Offer, the new Director(s) (if any) to be nominated by the Offeror as Director(s) and the then Director(s) will jointly and severally undertake to the Stock Exchange to take appropriate steps to restore the minimum public float as required under the Listing Rules following the close of the Share Offer to ensure that sufficient public float exists for the Shares.

**4. Analysis of historical performance of the Shares**

*(a) Share price*

Set out below is a chart showing the daily closing price of the Shares as quoted on the Stock Exchange against the Share Offer Price from 2 January 2015 up to and including the Latest Practicable Date (the “**Review Period**”):

**Daily closing prices of the Shares during the Review Period**



Source: Bloomberg

Notes:

1. Trading in the Shares was suspended on 31 August 2015 pending the release of the First Announcement (as defined below).
2. Trading in the Shares was suspended from 22 January 2016 to 4 February 2016 (both days inclusive) pending the release of the Joint Announcement.
3. Closing Price shown represents closing prices of respective trading day before taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared.

We have reviewed the movements in the closing price of the Shares for the Review Period, being a roughly 18-months period which covered more than 12 months before and including the Joint Announcement in relation to the Sale and Purchase Agreement on 4 February 2016. We consider the length of the Review Period to be reasonably long enough to illustrate the relationship between historical trend of the closing price of the Shares and the Share Offer.

*(i) Pre Joint Announcement period*

According to an announcement issued by the Company on 1 September 2015 (the “**First Announcement**”), Fulcrest, being the controlling shareholder of the Company, was approached by an independent third party in respect of a possible disposal of its shareholding interest in the Company in whole.

Nevertheless, at the time, discussions were held and no agreement was entered into. Prior to the release of the First Announcement, the average daily closing price of the Shares during the period from the commencement of the Review Period to the release of the First Announcement was approximately HK\$3.521 per Share, over which the Share Offer Price of HK\$3.998 per Share represents a premium of approximately 13.5%.

Upon the release of the First Announcement, the Share price gradually climbed up from HK\$3.930 per Share, being the closing price on 1 September 2015, the day when the First Announcement was released, to HK\$5.680 per Share on 21 January 2016, being the last trading date before suspension of trading in the Shares.

Prior to the release of the Joint Announcement, the highest and lowest closing price of the Shares during the Review Period were HK\$6.300 per Share recorded on 18 December 2015 and 21 December 2015 and HK\$2.517 per Share recorded on 5 January 2015, 6 January 2015, 19 January 2015, 21 January 2015, 22 January 2015, 27 January 2015 and 11 February 2015, respectively. The average daily closing price of the Shares during the Review Period before the release of the Joint Announcement is HK\$4.133 per Share. The Share Offer Price of HK\$3.998 per Share represents (i) a premium of approximately 58.8% over the lowest closing price; (ii) a discount of approximately 36.5% to the highest closing price; and (iii) a discount of approximately 3.3% to the average daily closing price during the Review Period before the release of the Joint Announcement.

*(ii) Post Joint Announcement period*

At the request of the Company, trading in the Shares was suspended from 22 January 2016 to 4 February 2016 (both days inclusive) pending the publication of the Joint Announcement. Immediately after the release of the Joint Announcement, the Share price surged from HK\$5.680 per Share on 21 January 2016, being the last trading date before suspension of trading in Shares, to HK\$6.970 on 5 February 2016, being the first day of resumption of trading after the release of the Joint Announcement. The Share price became steady after 6 February 2016 and up to Latest Practicable Date ranging from HK\$6.800 per Share to HK\$8.378 per Share. The Share price closed at HK\$8.288 per Share as at the Latest Practicable Date.

After the release of the Joint Announcement and up to the Latest Practicable Date,

- i) the highest closing price of the Shares was HK\$8.378 per Share on 2 June 2016 (before taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared), and after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308

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per Share declared, the ex-dividend highest closing price of the Shares was HK\$4.07 over which the Share Offer Price of HK\$3.998 represents a discount of approximately 1.77%;

- ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$6.800 per Share on 10 May 2016, and after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared, the ex-dividend lowest closing price of the Shares was HK\$2.492 over which the Share Offer Price of HK\$3.998 represents a premium of approximately 60.43%;
- iii) the average closing price was approximately HK\$7.284 per Share, and after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared, the ex-dividend average closing price of the Shares was HK\$2.976 over which the Share Offer Price of HK\$3.998 represents a premium of approximately 34.34%;
- iv) the closing price as quoted on the Stock Exchange was HK\$3.98 per Share (after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared) as at the Latest Practicable Date, over which the Share Offer Price of HK\$3.998 represents a premium of approximately 0.45%;
- v) the unaudited consolidated net asset value per Share of HK\$5.868 as at 31 December 2015, over which the Share Offer Price of HK\$3.998 represents a discount of approximately 31.87%; and
- vi) the unaudited consolidated net asset value per Share of HK\$5.868 as at 31 December 2015 and after taking into account the aggregate of the First Special Dividend and Second Special Dividend of HK\$4.308 per Share declared, the ex-dividend unaudited consolidated net asset value per Share was HK\$1.560 over which the Share Offer Price of HK\$3.998 represents a premium of approximately 156.28%.

Based on the fact that (i) the Share Offer Price of HK\$3.998 is above the closing prices of the Shares for the whole of the Review Period prior to the release of the First Announcement; and (ii) following the release of the Joint Announcement, the Share Offer Price would at most of the time still represent a premium over the ex-dividend closing price of the Shares if the First Special Dividend and the Second Special Dividend were deducted from the closing price of the Shares, we are of the view that the Share Offer Price of HK\$3.998 is fair and reasonable.

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**Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.**

***(b) Trading liquidity of the Shares***

Set out below is a table showing, during the Review Period, the number of trading days per month/period, the total trading volume per month/period, the average daily trading volume of Shares during each month/period and the percentages of average daily trading volume as compared to total number of Shares in issue and total number of Shares held by public Shareholders, respectively:

|   | <b>Number<br/>of<br/>trading<br/>days<br/><br/>(days)</b> | <b>Total<br/>monthly<br/>trading<br/>volume<br/><br/>(in number<br/>of Shares)</b> | <b>Approximate<br/>average daily<br/>trading<br/>volume<br/><br/>(in number of<br/>Shares)</b> | <b>Percentage of<br/>average daily<br/>trading volume<br/>to the total<br/>number of<br/>Shares in issue<br/><br/>(Approximate)<br/>(note 1)</b> | <b>Percentage of<br/>average daily<br/>trading volume<br/>to total number<br/>of Shares held<br/>by public<br/>Shareholders<br/><br/>(Approximate)<br/>(note 2)</b> |
|---|---|--|--|--|---|
| <b>2015</b>                                       |   |  |  |  |   |
| January   | 21  | 554,000  | 26,381   | 0.01%  | 0.02%   |
| February  | 18  | 2,373,000  | 131,833  | 0.05%  | 0.12%   |
| March   | 22  | 476,000  | 21,636   | 0.01%  | 0.02%   |
| April   | 19  | 2,532,000  | 133,263  | 0.05%  | 0.12%   |
| May   | 19  | 1,354,000  | 71,263   | 0.03%  | 0.06%   |
| June  | 22  | 8,044,940  | 365,679  | 0.14%  | 0.32%   |
| July  | 22  | 912,000  | 41,455   | 0.02%  | 0.04%   |
| August  | 20  | 713,000  | 35,650   | 0.01%  | 0.03%   |
| September<br>(note 3)                             | 20  | 1,335,000  | 66,750   | 0.03%  | 0.06%   |
| October   | 20  | 1,650,000  | 82,500   | 0.03%  | 0.07%   |
| November  | 21  | 3,322,050  | 158,193  | 0.06%  | 0.14%   |
| December  | 22  | 3,152,000  | 143,273  | 0.05%  | 0.13%   |
| <b>2016</b>                                       |   |  |  |  |   |
| January   | 14  | 2,403,500  | 171,679  | 0.07%  | 0.15%   |
| February  | 14  | 11,977,960   | 855,569  | 0.33%  | 0.76%   |
| March   | 21  | 2,789,014  | 132,810  | 0.05%  | 0.12%   |
| April   | 20  | 949,960  | 47,498   | 0.02%  | 0.04%   |
| May   | 21  | 12,382,000   | 589,619  | 0.23%  | 0.52%   |
| June (up to the<br>Latest<br>Practicable<br>Date) | 12  | 3,554,000  | 296,167  | 0.11%  | 0.26%   |

Source: Bloomberg



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*Notes:*

1. Based on 261,684,910 Shares in issue as at the Latest Practicable Date.
2. Based on 112,851,622 Shares held by public Shareholders as at the Latest Practicable Date.
3. Trading in the Shares was suspended on 31 August 2015 pending the release of the First Announcement and from 22 January 2016 to 4 February 2016 (both days inclusive) pending the release of the Joint Announcement.

The average daily trading volume of the Shares per month/period during the Review Period ranged from approximately 0.01% in January 2015, March 2015 and August 2015 to approximately 0.33% in February 2016. If only Shares held by public Shareholders, i.e. the free float, are considered in calculating the percentage of average daily trading volume of the Shares per month/period during the Review Period, the percentage ranged from approximately 0.02% in January 2015 and March 2015 to 0.76% in February 2016.

Despite that fact the total monthly trading volume of the Shares peaked at 11,977,960 shares traded in February 2016 when the Joint Announcement was released, such higher trading volume may not be sustainable, given that the total Shares traded in the following months dropped back to the previous level as prior to the release of the Joint Announcement. Accordingly, the Share Offer Shareholders may find it difficult to dispose of a large volume of Shares in the open market in a short period of time without exerting downward pressure on the price of the Shares.

Though the closing price of the Shares generally exceeds the Share Offer Price and demonstrates an increasing trend after the release of the Joint Announcement, the trading volume of the Shares fluctuated and was generally thin during the Review Period. In addition, such excess over the Share Offer Price might largely be due to the proposed entitlement to the First Special Dividend and the Second Special Dividend in connection with the Disposal. It is uncertain as to whether there would be sufficient liquidity in the Shares for the Share Offer Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Share Offer Shareholders can receive by the disposal of their Shares in the open market. Therefore, we are of the view that the Share Offer represents an opportunity for the Share Offer Shareholders, particularly for those who hold a large volume of the Shares, to realise their investments in the Company at the Share Offer Price.

*(c) Comparables analysis*

For the purpose of assessing the fairness and reasonableness of the Share Offer Price of HK\$3.998 per Offer Share, we have also applied price-to-earning (the “**P/E Ratio**”) and price-to-book (the “**P/B Ratio**”) in our analysis, being the two of the most commonly adopted valuation ratios for evaluating the value of a company.

The Remaining Business of the Group was mainly focused on property investment and sale of properties in the PRC, while the property investment in Hong Kong was disposed of together with other Disposal Businesses upon the Sale and Purchase Completion. As stated in the section headed “Intentions of the Offeror for the Remaining Group” above, the Offeror intends to continue the existing operations of property investment, but has no plans for the Remaining Group to engage in development of property projects as at the Latest Practicable Date. In addition, according to the Letter from the Board, the last property sale conducted by the Group was in 2008. As a result of the forgoing, we have identified an exhaustive list of the companies (the “**Comparables**”) which are listed on the Main Board of the Stock Exchange with market capitalisation ranging from HK\$0.1 billion to HK\$5 billion (the market capitalisation of the Company implied by the Share Offer Price is approximately HK\$1.0 billion which is within the range of the market capitalisation of the Comparables, and such range is able to provide us a reasonable sample size); and(ii) have principal business including property investment in the PRC and (iii) with respective segmental revenue principally derived from property rental contributing more than 50% of the total revenue as per the latest audited financial statements.

We consider that while the Remaining Group and the Comparables are not closely similar in terms of, among others, financial performance, financial position, market capitalisation and locations of the PRC investment properties, the supply of and demand for properties and monthly rental are in general affected by similar factors including, but no limited to, drivers of rental income growth, policy enacted by the Central Government of the PRC, performance of retail sales sector, and overall market sentiment. Accordingly, we are of the view that the Comparables are fair and representative, and the analysis of Comparables is useful for assessing the fairness and reasonableness of the Share Offer Price.

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Set out below is a table showing the P/E Ratio and the P/B Ratio of the Comparables based on their respective closing prices as at the Latest Practicable Date and their latest published financial information:

| Company name  | Principal business  | Market<br>capitalisation<br>(HK\$ million)<br>(Note 1) | P/E Ratio<br>(Note 2) | P/B Ratio<br>(Note 3) |
|---|---|--|-----------------------|-----------------------|
| Dynamic Holdings Limited (stock code: 29)                             | Property investment and development   | 661.7  | 6.5                   | 0.3                   |
| Termbray Industries International (Holdings) Limited (stock code: 93) | Property investment and development   | 1,468.2  | N/A                   | 1.3                   |
| New City Development Group Limited (stock code: 456)                  | Property development and investment in the PRC  | 1,310.2  | 352.7<br>(Note 4)     | 2.1                   |
| Crown International Corporation Limited (Stock Code: 727)             | Property investment and hotel investment and operations   | 3,946.8  | 25.5                  | 5.2                   |
| China Properties Investment Holdings Limited (Stock Code: 736)        | Properties investment, investing in mining activities and provision of educational support services | 167.1  | N/A                   | 0.3                   |
| China Sandi Holdings Limited (Stock Code: 910)                        | Property investment and development   | 692.5  | N/A                   | 0.3                   |
| Zhong Hua International Holdings Limited (Stock Code: 1064)           | Property investment and development   | 218.0  | 7.6                   | 0.3                   |
| Maximum   |   | 3,946.8  | 25.5                  | 5.2                   |
| Minimum   |   | 167.1  | 6.5                   | 0.3                   |
| Median  |   | 692.5  | 7.6                   | 0.3                   |
| <b>Average</b>  |   | <b>1,209.2</b>   | <b>13.2</b>           | <b>1.4</b>            |
| <b>The Share Offer</b>  |   | <b>1,046.2</b>   | <b>28.1</b>           | <b>2.1</b>            |

Source: *Bloomberg*

Notes:

- The market capitalisation of Comparables was based on the respective closing price per share and the number of shares in issue as at the Latest Practicable Date. The market capitalisation of the Share Offer is calculated based on the Share Offer Price of HK\$3.998 and the number of 261,684,910 Shares in issue as at the Latest Practicable Date.
- P/E Ratios of the Comparables are calculated based on their respective market capitalisation divided by their respective profit attributable to their owners from continuing operations as extracted from their respective latest published annual results. P/E Ratios of three Comparables are stated as “N/A” as they were loss-making. P/E Ratio of the Share Offer is calculated based on its market capitalisation with reference to the Share Offer Price of HK\$3.998 and the net profit of the Remaining Group attributable to owners of the Company for the year ended 31 December 2015 of approximately HK\$37.2 million with reference to the unaudited pro forma financial

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information of the Remaining Group as contained in the Appendix III to the Circular of the Company dated 13 May 2016 after excluding an one-off gain on disposal of the Disposal Group and taking into account the effect of the Disposal, the First Special Dividend, the Second Special Dividend and the Setting-off Arrangement.

3. P/B Ratios of the Comparables are calculated based on their respective market capitalisation divided by their respective net asset value attributable to their owners as extracted from their respective latest published annual results. P/B Ratio of the Share Offer is calculated based on its market capitalisation with reference to the Share Offer Price of HK\$3.998 and the net asset value of the Remaining Group attributable to owners of the Company as at 31 December 2015 of approximately HK\$506.2 million with reference to the unaudited pro forma financial information of the Remaining Group as contained in the Appendix III to the Circular of the Company dated 13 May 2016 after taking into account the effect of the Disposal, the First Special Dividend, the Second Special Dividend and the Setting-off Arrangement.
4. P/E Ratio of New City Development Group Limited (“**New City Development**”) was excluded in calculating the median and average of Comparables’ P/E Ratios as we consider such P/E Ratio of approximately 348.2 times is an outlier. Its significant decrease in net profit from approximately HK\$33.0 million in 2014 to approximately HK\$3.7 million in 2015 was due to a change in fair value of certain investment properties by using a different valuation approach in 2015 (income approach was used in 2015 whereas direct comparison approach was used in 2014). Since such decrease in net profit was not arisen from the ordinary operation of business, we are of the view that its profit figure for 2015 albeit dropped significantly had not otherwise adversely impaired the share price to same extent. For further information, we note that the P/E Ratio of New City Development prior to the announcement of the 2015 results was approximately 30 times which we consider to be reasonable and in line with the market. However, since the share price didn’t drop significantly after the release of the 2015 results announcement, the P/E Ratio had increased to over 300 times, which we do not consider to be sensible. Accordingly, such P/E Ratio of New City Development was excluded to avoid distortion in direct data comparisons.

As illustrated in the analysis above, the P/E Ratios of the Comparables range from approximately 6.5 times to approximately 25.5 times, with an average and median of approximately 13.2 times and 7.6 times, respectively. The P/E Ratio of the Company implied by the Share Offer Price (the “**Implied P/E**”) is approximately 28.1 times and (i) higher than all the Comparables’ P/E Ratios; and (ii) significantly higher than the average and median of the Comparables’ P/E Ratios. In respect of P/B Ratios, the P/B Ratios of the Comparables range from approximately 0.3 times to approximately 5.2 times, with an average and median of approximately 1.4 times and 0.3 times, respectively. The P/B Ratio of the Company implied by the Share Offer Price (the “**Implied P/B**”) is approximately 2.1 times and (i) within the range of the Comparables’ P/B Ratios; and (ii) higher than the average and the median of the Comparables’ P/B Ratios. As such, we consider the Share Offer Price with reference to the Implied P/E and the Implied P/B to be fair and reasonable given the current market valuation of the Comparables.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered all of the factors and reasons discussed above, and in particular the following (which should be read in conjunction with this letter):

- (i) the Share Offer Price represents a premium of approximately 13.5% over the average daily closing price of the Shares during the period from the commencement of the Review Period to the release of the First Announcement;
- (ii) the Share Offer Price, after taking into account the aggregate of the First Special Dividend and the Second Special Dividend of HK\$4.308 per Share declared, represents (a) a slight discount of approximately 1.77% over the ex-dividend highest closing price of the Shares of HK\$4.07; (b) a premium of approximately 60.43% over the ex-dividend lowest closing price of the Shares of HK\$2.492; (c) approximately 34.34% over the ex-dividend average closing price of the Shares of HK\$2.976 during the period from the release of the Joint Announcement up to the Latest Practicable Date; (d) a premium of approximately 0.45% over the closing price of the Share as at the Latest Practicable Date of HK\$3.98; and (e) approximately 156.28% over the ex-dividend net asset value per Share of HK\$1.560;
- (iii) the trading volume of the Shares has been generally thin during the Review Period and the Share Offer provides an opportunity for the Share Offer Shareholders to realise their investment at the Share Offer Price without exerting a downward impact on the Share price;
- (iv) the implied P/E is higher than all the Comparables' P/E Ratios and significantly higher than the average and median of those of the Comparables;
- (v) the implied P/B is within the range of the Comparables' P/B Ratios and higher than the average and the median of that of the Comparables; and
- (vi) the outlook and prospects of the Remaining Group is considered to be challenging due to unpredictable market atmosphere and tightened government policy.

We consider the terms of the Share Offer (including the Share Offer Price) are fair and reasonable so far as the Share Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Share Offer Shareholders to accept the Share Offer.

In view of the recent surge in the Share price of the Company, Share Offer Shareholders who wish to realize their investment in the Company are reminded that they should carefully and closely monitor the market price of the Company during the Share Offer period and consider selling their Shares in the open market during the Share Offer period, rather than accepting the Share Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Share Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Those Share Offer Shareholders who decide to retain part or all of their investment in the Shares should carefully monitor the intentions of the Offeror regarding the Group in the future and the potential difficulties the Independent Shareholders may encounter in disposing of their investments in the Shares after the close of the Share Offer. Further details and terms of the Offer are set out in the Letter from CCBI and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully  
For and on behalf of  
**VMS Securities Limited**  
**Nick Man**  
*Managing Director*  
*Corporate Finance*

*Mr. Nick Man is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of VMS Securities Limited to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nick Man has over 10 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for connected transactions involving companies listed in Hong Kong.*

**1. PROCEDURES FOR ACCEPTANCE**

To accept the Share Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

- (a) 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 your name, and you wish to accept the Share Offer, you must send the duly completed and signed Form of Acceptance, together with the relevant share certificate(s) (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), for not less than the number of the Shares in respect of which you wish to accept the Share Offer, by post or by hand, marked “**Great China Holdings Limited General Offer**” on the envelope to the Registrar as soon as possible so as to reach the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce as a result of a revision or an extension of the Share Offer, if any, in accordance with the Takeovers Code.
- (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 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) instruct the nominee company, or other nominee, to accept the Share Offer on your behalf and request it to deliver the completed and signed Form of Acceptance 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 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.
  
- (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 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 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.
  
- (d) 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 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 CCBI and/or the Offeror 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.



- (e) Acceptance of the Share Offer will be valid only if the duly completed and signed Form of Acceptance 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 the Offeror may determine in accordance with the requirements of the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, 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 is executed by a person other than the registered Share Offer Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Share Offer Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Share Offer Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Share Offer Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any Form of Acceptance, 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.
- (h) The address of the Registrar is Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point Hong Kong.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Share Offer has previously been revised or extended with the consent of the Executive, all Forms of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Share Offer is extended or revised, an announcement of such extension or revision will be published which will state either the next closing date or that the Share Offer will remain open until further notice. In the latter case, the Share Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Share Offer Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. The benefit of any revision of the Share Offer will also be available to all Share Offer Shareholders who have previously accepted the Share Offer. The execution of any Form of Acceptance by or on behalf of any Share Offer Shareholders who have previously accepted the Share Offer shall be deemed to constitute acceptance of any revised Share Offer.

If the Closing Date is revised or extended, any reference in the Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Share Offer as so revised or extended.

### **3. 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, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Share Offer. The Offeror must publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Share Offer has been revised, extended or has expired.

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

- (i) for which acceptances of the Share Offer have been received;
- (ii) held, controlled or directed by the Offeror and parties acting in concert with it before offer period (as defined under the Takeovers Code) for the Share Offer; and
- (iii) acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) for the Share Offer by the Offeror 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 the Offeror 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.

- (b) In computing the total number of Shares represented by acceptances, acceptances which are not in all respects in complete and good order or which are subject to verification may only be included where they could be counted towards fulfilling the acceptance conditions under paragraph 1(e) of this Appendix.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Share Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.greatchinaholdingsltd.com.hk](http://www.greatchinaholdingsltd.com.hk)).

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Share Offer tendered by the Share Offer Shareholders 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 the Offeror is unable to comply with the requirements set out in the paragraph headed “3. Announcements” above, the Executive may require that the Share Offer Shareholders who have tendered acceptances of the Share Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

#### **5. SETTLEMENT**

- (a) Provided that the Form of Acceptance and/or 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 in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the cash consideration due to each accepting Share Offer Shareholder in respect of the Offer Shares tendered by him/her/it or his/her/its agent(s) under the Share Offer, less seller’s ad valorem stamp duty payable by him/her/it in the case for tendered Offer Shares, will be despatched to each accepting Share Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 business days (as defined under the Takeovers Code) after the date of receipt of duly completed acceptances by the Registrar and in accordance with the Takeovers Code. Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment.
- (b) Save for payment of stamp duty set out above, settlement of the consideration to which any accepting Share Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without

regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Share Offer Shareholder.

If the Share Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post 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 the Shares lodged with the Form of Acceptance to the relevant Share Offer Shareholders who have tendered acceptances of the Share Offer.

The amount of the consideration payable to a Share Offer Shareholder who accepts the Share Offer will be normal rounding to the nearest cent.

## **6. OVERSEAS SHAREHOLDERS**

The making of the Share Offer 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. Share Offer Shareholders 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 Share Offer 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 the Offeror that he/she/it is permitted under all applicable laws and regulations to receive and accept the Share Offer, and any revision thereof, and that, such acceptance shall be valid and binding in accordance with applicable laws. Share Offer Shareholders should consult their professional advisers if in doubt.

## **7. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance, Share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Share Offer Shareholders will be delivered by or sent to or from them, or their designated agents through ordinary post at their own risk, and none of the Company, CCBI, the Offeror, the Registrar nor any of their respective directors, agents, advisers or other parties involved in the Share Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form of Acceptance form part of the terms of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Share Offer is made will not invalidate the Share Offer in any way.
- (d) The Share Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer.
- (e) Due execution of the Form of Acceptance will constitute an irrevocable authority to any director of the Offeror, CCBI or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct all the rights of the accepting Share Offer Shareholders in respect of the Shares which are subject to such acceptance.
- (f) Acceptance of the Share Offer by any person will be deemed to constitute a warranty by such person to the Offeror, CCBI 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 the right to receive all dividends or other distributions (for the avoidance of doubt, excluding the entitlement to the First Special Dividend and the Second Special Dividend) recommended, declared, made or paid on such Shares by reference to a record date on or after the date of despatch of this Composite Document.
- (g) The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any Shares not acquired under the Share Offer after the close of the Share Offer.
- (h) References to the Share Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.
- (i) Acceptance to the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Share Offer.
- (j) The English text of this Composite Document and the Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

**1. FINANCIAL INFORMATION OF THE GROUP****I. FINANCIAL SUMMARY OF THE GROUP**

The following is a summary of the financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 as extracted from the relevant annual reports of the Company.

The Company's auditor has reported on the financial statements for the years ended 31 December 2013, 2014 and 2015. The auditor's reports were unqualified or unmodified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance. The Group had no items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2013, 2014 and 2015.

**Summarised Financial Information**

|   | <b>2013</b>     | <b>2014</b>     | <b>2015</b>     |
|---|-----------------|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
|   | (Audited)       | (Audited)       | (Audited)       |
| Revenue   | 1,523,808       | 1,336,486       | 1,191,819       |
| Profit before income tax  | 58,617          | 186,376         | 11,855          |
| Income tax expense  | (2,916)         | (12,973)        | (10,201)        |
| Profit for the year attributable to owners of the Company       | 55,701          | 173,403         | 1,654           |
| Profit for the year attributable to non-controlling interests   | —               | —               | —               |
| Final dividends paid*   | 26,168          | 26,168          | 31,402          |
| Earnings per share — basic and diluted<br>( <i>HK\$ cents</i> ) | 21.29           | 66.26           | 0.63            |

\* Total final dividends paid by the Company during the years ended 31 December 2013, 2014 and 2015 amounting to HK\$26,168,000, HK\$26,168,000 and HK\$31,402,000 respectively, were referred to the final dividend declared for the respective prior financial year, which represented HK\$0.1, HK\$0.1 and HK\$0.12 per ordinary share respectively.

**II. AUDITED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015**

The following audited financial information of the Group for the year ended 31 December 2015 is extracted from the annual report of the Company 2015. All the relevant page numbers referred in this section are referred to the page numbers of the annual report of the Company for the year ended 31 December 2015.

**CONSOLIDATED INCOME STATEMENT***For the year ended 31 December 2015*

|   | <i>Notes</i> | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------|--------------------------------|--------------------------------|
| Revenue   | 5            | 1,191,819                      | 1,336,486                      |
| Cost of sales   |              | <u>(1,120,753)</u>             | <u>(1,217,255)</u>             |
| Gross profit  |              | 71,066                         | 119,231                        |
| Other income  | 7            | 34,187                         | 25,977                         |
| Distribution costs  |              | (20,619)                       | (23,794)                       |
| Administrative expenses   |              | (65,122)                       | (48,433)                       |
| Change in fair value of investment properties                                 |              | (15,996)                       | 61,071                         |
| Change in fair value of financial assets at fair value through profit or loss |              | 7,105                          | 9,360                          |
| Change in fair value of derivative financial instruments                      |              | —                              | (2,490)                        |
| Other operating income, net   | 9            | 3,409                          | 48,159                         |
| Finance costs   | 8            | <u>(2,175)</u>                 | <u>(2,705)</u>                 |
| Profit before income tax  | 9            | 11,855                         | 186,376                        |
| Income tax expense  | 11           | <u>(10,201)</u>                | <u>(12,973)</u>                |
| <b>Profit for the year attributable to owners of the Company</b>              |              | <u><u>1,654</u></u>            | <u><u>173,403</u></u>          |
|   |              | <i>HK cent</i>                 | <i>HK cents</i>                |
| <b>Earnings per share</b>   | 12           |                                |                                |
| — Basic and diluted   |              | <u><u>0.63</u></u>             | <u><u>66.26</u></u>            |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

|  | <b>2015</b>            | <b>2014</b>           |
|--|------------------------|-----------------------|
|  | <i>HK\$'000</i>        | <i>HK\$'000</i>       |
| <b>Profit for the year</b>   | 1,654                  | 173,403               |
| <b>Other comprehensive income</b>  |                        |                       |
| <i>Items that may be reclassified subsequently to profit or loss</i>                 |                        |                       |
| Exchange difference arising from translation of foreign operations                   | (29,205)               | (13,911)              |
| Increase in fair value of available-for-sale financial assets                        | <u>30</u>              | <u>50</u>             |
| Other comprehensive income for the year  | <u>(29,175)</u>        | <u>(13,861)</u>       |
| <b>Total comprehensive income for the year attributable to owners of the Company</b> | <u><u>(27,521)</u></u> | <u><u>159,542</u></u> |



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2015*

|   | <i>Notes</i> | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>                             |              |                                |                                |
| Investment properties                                 | <i>14</i>    | 982,658                        | 1,022,169                      |
| Property, plant and equipment                         | <i>15</i>    | 48,278                         | 48,011                         |
| Prepaid lease payments for land                       | <i>16</i>    | 259                            | 263                            |
| Available-for-sale financial assets                   | <i>17</i>    | 39,726                         | 12,397                         |
| Trade and other receivables, prepayments and deposits | <i>20</i>    | 31,793                         | —                              |
| Deferred tax assets                                   | <i>28</i>    | 452                            | 93                             |
|   |              | <u>1,103,166</u>               | <u>1,082,933</u>               |
| <b>Current assets</b>                                 |              |                                |                                |
| Properties held for sale                              | <i>18</i>    | 18,094                         | 19,408                         |
| Inventories   | <i>19</i>    | 70,314                         | 63,353                         |
| Prepaid lease payments for land                       | <i>16</i>    | 4                              | 4                              |
| Trade and other receivables, prepayments and deposits | <i>20</i>    | 163,380                        | 151,205                        |
| Financial assets at fair value through profit or loss | <i>21</i>    | 198,772                        | 163,044                        |
| Tax recoverable                                       |              | 407                            | 426                            |
| Derivative financial assets                           | <i>22</i>    | —                              | 38                             |
| Restricted bank deposit                               | <i>23</i>    | 16,041                         | 16,841                         |
| Structured bank deposits                              | <i>23</i>    | —                              | 237,025                        |
| Bank balances and cash                                | <i>23</i>    | 240,027                        | 244,579                        |
|   |              | <u>707,039</u>                 | <u>895,923</u>                 |
| <b>Current liabilities</b>                            |              |                                |                                |
| Trade and bills payables                              | <i>24</i>    | 42,764                         | 73,192                         |
| Other payables and accrued expenses                   |              | 39,613                         | 43,469                         |
| Rental deposits received                              |              | 3,226                          | 1,237                          |
| Borrowings  | <i>25</i>    | 18,652                         | 77,831                         |
| Tax payable   |              | 2,559                          | 3,322                          |
|   |              | <u>106,814</u>                 | <u>199,051</u>                 |
| <b>Net current assets</b>                             |              | <u>600,225</u>                 | <u>696,872</u>                 |
| <b>Total assets less current liabilities</b>          |              | <u>1,703,391</u>               | <u>1,779,805</u>               |

|                                | <i>Notes</i> | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|--------------------------------|--------------|--------------------------------|--------------------------------|
| <b>Non-current liabilities</b> |              |                                |                                |
| Rental deposits received       |              | 5,148                          | 7,873                          |
| Borrowings                     | 25           | 95,641                         | 114,281                        |
| Deferred tax liabilities       | 28           | 67,037                         | 63,163                         |
|                                |              | <u>167,826</u>                 | <u>185,317</u>                 |
| <b>Net assets</b>              |              | <u><u>1,535,565</u></u>        | <u><u>1,594,488</u></u>        |
| <b>Capital and reserves</b>    |              |                                |                                |
| Share capital                  | 26           | 71,853                         | 71,853                         |
| Reserves                       | 27           | 1,463,712                      | 1,522,635                      |
| <b>Total equity</b>            |              | <u><u>1,535,565</u></u>        | <u><u>1,594,488</u></u>        |

The consolidated financial statements on pages 35 to 108 were approved and authorised for issue by the board of directors on 22 March 2016.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

|   | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Exchange<br>reserve<br><i>HK\$'000</i> | Properties<br>revaluation<br>reserve<br><i>HK\$'000</i> | Investment<br>revaluation<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------------|--|---|---|--|--------------------------|
| At 1 January 2014   | 52,337                              | 19,516                              | 139,733                                | 495   | 990   | 1,248,043                              | 1,461,114                |
| Profit for the year   | —                                   | —                                   | —                                      | —   | —   | 173,403                                | 173,403                  |
| Other comprehensive income:   |                                     |                                     |  |   |   |  |                          |
| Exchange difference arising<br>from translation of foreign<br>operations      | —                                   | —                                   | (13,911)                               | —   | —   | —                                      | (13,911)                 |
| Increase in fair value of<br>available-for-sale financial<br>assets           | —                                   | —                                   | —                                      | —   | 50  | —                                      | 50                       |
| Other comprehensive income<br>for the year                                    | —                                   | —                                   | (13,911)                               | —   | 50  | —                                      | (13,861)                 |
| Total comprehensive income<br>for the year                                    | —                                   | —                                   | (13,911)                               | —   | 50  | 173,403                                | 159,542                  |
| Transfer between reserves:  |                                     |                                     |  |   |   |  |                          |
| Transfers upon the abolition<br>of nominal value of shares<br>on 3 March 2014 | 19,516                              | (19,516)                            | —                                      | —   | —   | —                                      | —                        |
| Transactions with owners:<br>2013 final dividends ( <i>note 13</i> )          | —                                   | —                                   | —                                      | —   | —   | (26,168)                               | (26,168)                 |
| At 31 December 2014 and<br>1 January 2015                                     | 71,853                              | —                                   | 125,822                                | 495   | 1,040   | 1,395,278                              | 1,594,488                |
| Profit for the year   | —                                   | —                                   | —                                      | —   | —   | 1,654                                  | 1,654                    |
| Other comprehensive income:   |                                     |                                     |  |   |   |  |                          |
| Exchange difference arising<br>from translation of foreign<br>operations      | —                                   | —                                   | (29,205)                               | —   | —   | —                                      | (29,205)                 |
| Increase in fair value of<br>available-for-sale financial<br>assets           | —                                   | —                                   | —                                      | —   | 30  | —                                      | 30                       |
| Other comprehensive income<br>for the year                                    | —                                   | —                                   | (29,205)                               | —   | 30  | —                                      | (29,175)                 |
| Total comprehensive income<br>for the year                                    | —                                   | —                                   | (29,205)                               | —   | 30  | 1,654                                  | (27,521)                 |
| Transactions with owners:<br>2014 final dividends ( <i>note 13</i> )          | —                                   | —                                   | —                                      | —   | —   | (31,402)                               | (31,402)                 |
| <b>At 31 December 2015</b>  | <b>71,853</b>                       | <b>—</b>                            | <b>96,617</b>                          | <b>495</b>  | <b>1,070</b>  | <b>1,365,530</b>                       | <b>1,535,565</b>         |

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

|   | <i>Notes</i> | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------|--------------------------------|--------------------------------|
| <b>OPERATING ACTIVITIES</b>   |              |                                |                                |
| Profit before income tax  |              | 11,855                         | 186,376                        |
| Adjustments for:  |              |                                |                                |
| Amortisation of prepaid lease payments for land                               | 9            | 4                              | 4                              |
| Depreciation of property, plant and equipment                                 | 9            | 2,307                          | 2,178                          |
| Allowance for inventories   | 9            | 4,221                          | —                              |
| Allowance/(Reversal of allowance) for doubtful debts                          | 9            | 13,197                         | (1,542)                        |
| Bad debt written off  | 9            | 705                            | 8                              |
| Impairment loss on available-for-sale financial assets                        | 9            | 1                              | 25                             |
| Reversal of provision for taxes and charges                                   | 9            | (3,410)                        | —                              |
| Reversal of provision for direct expenses and taxes                           | 9            | —                              | (48,184)                       |
| Change in fair value of investment properties                                 | 14           | 15,996                         | (61,071)                       |
| Change in fair value of derivative financial instruments                      |              | —                              | 2,490                          |
| Change in fair value of financial assets at fair value through profit or loss |              | (7,105)                        | (9,360)                        |
| Gain on disposal of property, plant and equipment                             | 7            | (175)                          | —                              |
| Loss on write-off of property, plant and equipment                            | 9            | 303                            | —                              |
| Interest income   | 7            | (28,974)                       | (21,709)                       |
| Finance costs   | 8            | 2,175                          | 2,705                          |
| Operating cash flows before movements in working capital                      |              | 11,100                         | 51,920                         |
| Increase in inventories   |              | (11,182)                       | (31,119)                       |
| (Increase)/Decrease in trade and other receivables, prepayments and deposits  |              | (55,181)                       | 138,219                        |
| Decrease in derivative financial instruments                                  |              | 38                             | 2,429                          |
| Decrease in trade and bills payables  |              | (30,428)                       | (113,589)                      |
| Increase/(Decrease) in other payables and accrued expenses                    |              | 151                            | (3,033)                        |
| Decrease in rental deposits received  |              | (736)                          | (266)                          |
| Net increase in financial assets at fair value through profit or loss         |              | (28,623)                       | (55,906)                       |

|   | <b>2015</b>      | <b>2014</b>     |
|---|------------------|-----------------|
| <i>Notes</i>  | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Cash used in operations                                 | (114,861)        | (11,345)        |
| Hong Kong profits tax paid, net                         | (315)            | (476)           |
| Overseas tax paid                                       | (3,849)          | (1,750)         |
| <b>Net cash used in operating activities</b>            | <u>(119,025)</u> | <u>(13,571)</u> |
| <b>INVESTING ACTIVITIES</b>                             |                  |                 |
| Placement of structured bank deposits                   | (331,911)        | (239,507)       |
| Withdrawal of structured bank deposits                  | 565,478          | 283,251         |
| Interest received                                       | 26,462           | 20,580          |
| Proceeds from disposal of property, plant and equipment | 621              | —               |
| Purchase of property, plant and equipment               | (3,470)          | (68)            |
| Purchase of available-for-sale financial assets         | (27,300)         | (1,170)         |
| <b>Net cash from investing activities</b>               | <u>229,880</u>   | <u>63,086</u>   |
| <b>FINANCING ACTIVITIES</b>                             |                  |                 |
| New bank loans raised                                   | 42,316           | 55,707          |
| Repayment of bank loans                                 | (120,135)        | (34,654)        |
| Interest paid   | (2,470)          | (2,461)         |
| Dividends paid  | (31,402)         | (26,168)        |
| <b>Net cash used in financing activities</b>            | <u>(111,691)</u> | <u>(7,576)</u>  |
| Net (decrease)/increase in cash and cash equivalents    | (836)            | 41,939          |
| Cash and cash equivalents at 1 January                  | 244,579          | 202,253         |
| Effect of foreign exchange rate changes                 | (3,716)          | 387             |
| <b>Cash and cash equivalents at 31 December</b>         | <u>240,027</u>   | <u>244,579</u>  |
| <b>Analysis of cash and cash equivalents</b>            |                  |                 |
| Bank balances and cash                                  | <u>240,027</u>   | <u>244,579</u>  |

**NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2015*

**1. GENERAL**

Great China Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Unit D, 26/F, United Centre, 95 Queensway, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of animal feed, property investment and trading of properties. The Company and its subsidiaries are collectively referred to as “the Group”.

Its immediate holding company is Fulcrest Limited (“Fulcrest”), a limited liability company incorporated in Hong Kong and its ultimate holding company is Kwong Fong Industries Corporation, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

The functional currency of the Company and its major subsidiaries is United States dollars (“USD”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is different from the functional currency of the Company, as the directors of the Company consider that HK\$ is a more appropriate presentation currency in view of its place of listing.

The consolidated financial statements on pages 35 to 108 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

**2. ADOPTION OF NEW OR REVISED HKFRSs****2.1 Adoption of new or revised HKFRSs — effective 1 January 2015**

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2015:

|                     |                                     |
|---------------------|-------------------------------------|
| HKFRSs (Amendments) | Annual Improvements 2010–2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements 2011–2013 Cycle |

Except as explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

*Annual Improvements 2010–2012 Cycle and 2011–2013 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 *Property, Plant and Equipment* to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS 16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

**2.2 New or revised HKFRSs that have been issued but not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

|   |  |
|---|--|
| HKFRSs (Amendments)                             | Annual Improvements 2012–2014 Cycle <sup>1</sup>                                     |
| Amendments to HKAS 1                            | Disclosure Initiative <sup>1</sup>   |
| Amendments to HKAS 16 and<br>HKAS 38            | Clarification of Acceptable Methods of<br>Depreciation and Amortisation <sup>1</sup> |
| Amendments to HKAS 27                           | Equity Method in Separate Financial<br>Statements <sup>1</sup>                       |
| HKFRS 9 (2014)                                  | Financial Instruments <sup>2</sup>   |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKAS 28 | Investment Entities: Applying the<br>Consolidation Exception <sup>1</sup>            |
| HKFRS 14  | Regulatory Deferral Accounts <sup>1</sup>  |
| HKFRS 15  | Revenue from Contracts with Customers <sup>2</sup>                                   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

*Amendments to HKAS 1 — Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

*Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

*Amendments to HKAS 27 — Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries in its separate financial statements.

*HKFRS 9 (2014) — Financial Instruments*

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.



*HKFRS 15 — Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in process of making an assessment of the potential impact of these new or revised HKFRSs.

### **2.3 New Companies Ordinance provisions relating to the preparation of financial statements**

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

### **3.1 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, unrealised gains and losses on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

### **3.2 Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### **3.3 Investment properties**

Investment properties are land and buildings held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of an investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

### **3.4 Property, plant and equipment**

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values, if applicable, over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

### **3.5 Leasehold land and buildings**

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments)

are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments for land” in the statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### 3.6 Leasing

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

#### *As lessor*

Assets leased by the Group under operating lease are included in non-current assets, and rental income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### *As lessee*

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3.7 Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepaid lease payments for land; and

— interests in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

### **3.8 Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ***(i) Financial assets***

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Group classifies its financial assets on initial recognition, depending on the nature and purpose for which the financial asset was acquired. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, including separated embedded derivative, that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and deposits, restricted bank deposit, structured bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value with changes in fair value recognised in other comprehensive income, accumulated in investment revaluation reserve, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss. When the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

*Impairment of financial assets*

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

Evidence of impairment may include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

#### Loans and receivables

Loans and receivables carried at amortised cost, an impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When any part of the financial asset is determined as uncollectible, it is written off against the allowance account for the relevant asset.

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

#### Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.



*(ii) Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

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

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a derivative, including separated embedded derivative, that is not designated and effective as a hedging instrument.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

- the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost (including trade and bills payables, other payables and accrued expenses, rental deposits received and borrowings), are subsequently measured at amortised cost, using the effective interest method.

***(iii) Effective interest method***

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

Interest income and expense is recognised on an effective interest basis.

***(iv) Embedded derivatives***

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

***(v) Financial guarantee contracts***

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

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as

determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

***(vi) Derivative financial instruments***

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

***(vii) Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

### **3.9 Inventories and properties held for sale**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value, comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method.

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value.

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

### 3.10 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### 3.11 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve in equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in exchange reserve relating to that foreign operation up to the date of disposal attributable to owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in exchange reserve in equity.

### **3.12 Recognition of revenue and other income**

Revenue is measured at fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time when goods are delivered and title has passed to customers.

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the buyers, upon execution of binding sales agreement and delivery of properties to buyers.

Rental income, including rentals invoiced in advance from properties leased under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses on a straight-line basis over the lease term.

Agency fee income is recognised when services are provided.

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

### **3.13 Taxation**

Income tax expense comprises current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable nor accounting profit or loss.

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

### **3.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **3.15 Retirement benefit costs**

Payments to the retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

### **3.16 Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### **3.17 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 chief operating decision-maker i.e. the executive directors 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.

### **3.18 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, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

### 3.19 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) The party is a person or a close member of that person's family and that person,
  - (i) has control or joint control of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Company's parent;

or

- (b) the party is an entity where 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) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third party and the other party is an associate of the third party;
  - (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); and



- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **Key sources of estimation uncertainty**

###### *(i) Estimate of fair value of investment properties*

As disclosed in note 14, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the estimates, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

For more detailed information in relation to fair value measurement of investment properties, please refer to note 14.

###### *(ii) Impairment of trade and other receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The estimation of the recoverable amount of receivables requires significant estimation and judgements including evaluation of

collectability and assessing creditworthiness and past collection history of customers or debtors. Where the actual future cash flows are less than expected, a material impairment loss may arise.

*(iii) Net realisable value of inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off in profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant estimation and judgements are required. In making estimation and judgements, the Group evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

*(iv) Estimates of current and deferred tax*

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the Peoples' Republic of China (the "PRC"). The Group recognised income tax and other taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

## 5. REVENUE

Revenue, which is also the turnover of the Group, represents net invoiced value of fishmeal sold and rental income. Revenue recognised during the year is as follows:

|                | <b>2015</b>      | <b>2014</b>      |
|----------------|------------------|------------------|
|                | <i>HK\$'000</i>  | <i>HK\$'000</i>  |
| Sales of goods | 1,153,604        | 1,295,987        |
| Rental income  | 38,215           | 40,499           |
|                | <u>1,191,819</u> | <u>1,336,486</u> |

## 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision-maker, for the purpose of resource allocation and assessment of segment performance focuses on the operating divisions of the Group.

The executive directors have identified the following reportable segments for the Group's operating segments. These segments are managed separately as each business offers different products and services and requires different business strategies.

1. General trading — trading of fishmeal
2. Property investment in Hong Kong — leasing of properties situated in Hong Kong
3. Property investment in the PRC — leasing of properties situated in the PRC (other than Hong Kong) and provision for agency services
4. Trading of properties — sale of properties situated in the PRC

The accounting policies of the reportable segments are the same as the Group's accounting policies. There were no inter-segment sales between different operating segments for the year ended 31 December 2015 (2014: nil). Segment revenue represents sales revenue from external customers. Segment profit or loss after tax represents net profit earned or loss incurred by each reportable segment without allocation of income and expenses of the Group's headquarter, including change in fair value of financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, corporate income and expenses, unallocated finance costs and unallocated income tax credit or expense.

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than the Group headquarter's corporate assets; and
- all liabilities are allocated to reportable segments other than the Group headquarter's corporate liabilities.

Information regarding the above segments is reported below.

**Segment revenue and results**

|  | <b>General<br/>trading</b><br><i>HK\$'000</i> | <b>Property<br/>investment<br/>in Hong<br/>Kong</b><br><i>HK\$'000</i> | <b>Property<br/>investment<br/>in the PRC</b><br><i>HK\$'000</i> | <b>Trading of<br/>properties</b><br><i>HK\$'000</i> | <b>Consolidated</b><br><i>HK\$'000</i> |
|--|---|--|--|---|--|
| <i>For the year ended</i>  |   |  |  |   |  |
| <i>31 December 2015</i>  |   |  |  |   |  |
| Reportable segment<br>revenue  | 1,153,604                                     | 17,936   | 20,279   | —   | 1,191,819                              |
|  |   |  | <i>(Note (a))</i>  |   |  |
| Reportable segment<br>(loss)/profit after tax  | (11,737)                                      | (29,279)   | 36,316   | —   | (4,700)                                |
| Change in fair value of<br>financial assets at fair<br>value through profit<br>or loss |   |  |  |   | 7,105                                  |
| Impairment loss on<br>available-for-sale<br>financial assets                           |   |  |  |   | (1)                                    |
| Corporate income and<br>expenses, net  |   |  |  |   | (442)                                  |
| Unallocated finance costs  |   |  |  |   | (360)                                  |
| Unallocated income tax<br>credit   |   |  |  |   | 52                                     |
| Profit for the year  |   |  |  |   | <u>1,654</u>                           |

|  | General<br>trading<br><i>HK\$'000</i> | Property<br>investment<br>in Hong<br>Kong<br><i>HK\$'000</i> | Property<br>investment<br>in the PRC<br><i>HK\$'000</i> | Trading of<br>properties<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|---------------------------------------|--|---|---|---------------------------------|
| <i>For the year ended</i>  |                                       |  |   |   |                                 |
| <i>31 December 2014</i>  |                                       |  |   |   |                                 |
| Reportable segment<br>revenue  | 1,295,987                             | 18,215   | 22,284  | —   | 1,336,486                       |
|  |                                       |  | <i>(Note (b))</i>                                       |   |                                 |
| Reportable segment<br>profit after tax   | 45,795                                | 31,031   | 98,377  | —   | 175,203                         |
| Change in fair value of<br>financial assets at fair<br>value through profit<br>or loss |                                       |  |   |   | 9,360                           |
| Impairment loss on<br>available-for-sale<br>financial assets                           |                                       |  |   |   | (25)                            |
| Corporate income and<br>expenses, net  |                                       |  |   |   | (10,296)                        |
| Unallocated finance costs  |                                       |  |   |   | (725)                           |
| Unallocated income tax<br>expenses   |                                       |  |   |   | (114)                           |
| Profit for the year  |                                       |  |   |   | <u>173,403</u>                  |

*Notes:*

- (a) Included reversal of provision for taxes and charges of HK\$3,410,000, which is described in detail in note 9(d).
- (b) Included reversal of provision for direct expenses and tax amounting to approximately HK\$48,184,000, which is described in detail in note 9(c).

## Segment assets and liabilities

|   | General<br>trading<br><i>HK\$'000</i> | Property<br>investment<br>in Hong<br>Kong<br><i>HK\$'000</i> | Property<br>investment<br>in the<br>PRC<br><i>HK\$'000</i> | Trading of<br>properties<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---------------------------------------|--|--|---|--------------------------|
| <i>At 31 December 2015</i>                                  |                                       |  |  |   |                          |
| Reportable segment assets                                   | 338,099                               | 558,983  | 497,375  | 18,094                                      | 1,412,551                |
| Available-for-sale financial<br>assets                      |                                       |  |  |   | 39,726                   |
| Financial assets at fair<br>value through<br>profit or loss |                                       |  |  |   | 198,772                  |
| Unallocated corporate<br>assets                             |                                       |  |  |   | <u>159,156</u>           |
| Consolidated total assets                                   |                                       |  |  |   | <u><u>1,810,205</u></u>  |
| Reportable segment<br>liabilities                           | 91,651                                | 72,366   | 88,901   | —   | 252,918                  |
| Unallocated corporate<br>liabilities                        |                                       |  |  |   | <u>21,722</u>            |
| Consolidated total<br>liabilities                           |                                       |  |  |   | <u><u>274,640</u></u>    |

|   | General trading<br><i>HK\$'000</i> | Property investment<br>in Hong Kong<br><i>HK\$'000</i> | Property investment<br>in the PRC<br><i>HK\$'000</i> | Trading of properties<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------------|--|--|--|--------------------------|
| <i>At 31 December 2014</i>                            |                                    |  |  |  |                          |
| Reportable segment assets                             | 557,551                            | 589,982  | 501,786  | 19,408                                   | 1,668,727                |
| Available-for-sale financial assets                   |                                    |  |  |  | 12,397                   |
| Financial assets at fair value through profit or loss |                                    |  |  |  | 163,044                  |
| Unallocated corporate assets                          |                                    |  |  |  | <u>134,688</u>           |
| Consolidated total assets                             |                                    |  |  |  | <u><u>1,978,856</u></u>  |
| Reportable segment liabilities                        | 190,886                            | 81,752   | 91,047   | —  | 363,685                  |
| Unallocated corporate liabilities                     |                                    |  |  |  | <u>20,683</u>            |
| Consolidated total liabilities                        |                                    |  |  |  | <u><u>384,368</u></u>    |

Unallocated corporate assets mainly comprised of property, plant and equipment which are used by the Group's headquarter, bank balances and cash which are held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

Unallocated corporate liabilities mainly comprised of borrowings for the financing of the general working capital of the Group as a whole and other corporate liabilities of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

## Other segment information

|  | General<br>trading<br><i>HK\$'000</i> | Property<br>investment<br>in Hong<br>Kong<br><i>HK\$'000</i> | Property<br>investment<br>in the PRC<br><i>HK\$'000</i> | Trading of<br>properties<br><i>HK\$'000</i> | Corporate/<br>Unallocated<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|--|---------------------------------------|--|---|---|--|---------------------------------|
| <i>For the year ended</i>                              |                                       |  |   |   |  |                                 |
| <i>31 December 2015</i>                                |                                       |  |   |   |  |                                 |
| Additions to specified<br>non-current assets<br>(note) | 829                                   | 2,266  | 375   | —   | —  | 3,470                           |
| Amortisation of prepaid<br>lease payments for<br>land  | —                                     | —  | 4   | —   | —  | 4                               |
| Depreciation of property,<br>plant and equipment       | 333                                   | 248  | 232   | —   | 1,494  | 2,307                           |
| Fair value loss/(gain) on<br>investment properties     | —                                     | 44,270   | (28,274)  | —   | —  | 15,996                          |
| Allowance for inventories                              | 4,221                                 | —  | —   | —   | —  | 4,221                           |
| Allowance for doubtful<br>debts                        | 13,050                                | —  | 147   | —   | —  | 13,197                          |
| Bad debt written off                                   | 705                                   | —  | —   | —   | —  | 705                             |
| Exchange loss/(gain), net                              | 9,393                                 | 12   | (1,153)   | —   | (1,930)                                      | 6,322                           |
| Interest income  | 14,450                                | —  | 15  | —   | 14,509                                       | 28,974                          |
| Interest expense                                       | 553                                   | 1,262  | —   | —   | 360  | 2,175                           |
| Income tax expense/<br>(credit)                        | 1,921                                 | 416  | 7,916   | —   | (52)   | 10,201                          |



|   | General trading<br><i>HK\$'000</i> | Property investment in Hong Kong<br><i>HK\$'000</i> | Property investment in the PRC<br><i>HK\$'000</i> | Trading of properties<br><i>HK\$'000</i> | Corporate/Unallocated<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|---|------------------------------------|---|---|--|--|---------------------------------|
| <i>For the year ended</i>                           |                                    |   |   |  |  |                                 |
| <i>31 December 2014</i>                             |                                    |   |   |  |  |                                 |
| Additions to specified non-current assets<br>(note) | 38                                 | —   | 30  | —  | —  | 68                              |
| Amortisation of prepaid lease payments for land     | —                                  | —   | 4   | —  | —  | 4                               |
| Depreciation of property, plant and equipment       | 388                                | —   | 296   | —  | 1,494                                    | 2,178                           |
| Fair value gain on investment properties            | —                                  | 16,930  | 44,141  | —  | —  | 61,071                          |
| Fair value loss on derivative financial instruments | —                                  | —   | —   | —  | 2,490                                    | 2,490                           |
| Reversal of allowance for doubtful debts            | 1,542                              | —   | —   | —  | —  | 1,542                           |
| Bad debt written off                                | —                                  | —   | 8   | —  | —  | 8                               |
| Exchange loss/(gain), net                           | 7,253                              | (57)  | (513)   | —  | (591)                                    | 6,092                           |
| Interest income                                     | 18,671                             | —   | 14  | —  | 3,024                                    | 21,709                          |
| Interest expense                                    | 264                                | 1,716   | —   | —  | 725                                      | 2,705                           |
| Income tax expense                                  | 2,119                              | 811   | 9,929   | —  | 114                                      | 12,973                          |

*Note:* Specified non-current assets excluded financial instruments and deferred tax assets.

### Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue by location of customers and information about its specified non-current assets by geographical location of the assets are detailed below:

|                               | Revenue                 |                         | Specified non-current assets |                         |
|-------------------------------|-------------------------|-------------------------|------------------------------|-------------------------|
|                               | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i>      | 2014<br><i>HK\$'000</i> |
| Hong Kong (place of domicile) | 17,936                  | 18,215                  | 548,042                      | 591,980                 |
| Other regions in the PRC      | 1,173,883               | 1,318,271               | 483,153                      | 478,463                 |
|                               | <u>1,191,819</u>        | <u>1,336,486</u>        | <u>1,031,195</u>             | <u>1,070,443</u>        |

**Information about major customers**

For the year ended 31 December 2015, revenue from one customer of the Group's general trading segment amounted to HK\$123,693,000, which exceeded 10% of the Group's revenue.

For the year ended 31 December 2014, no customer has contributed 10% or more of the Group's revenue.

**7. OTHER INCOME**

|  | <b>2015</b>     | <b>2014</b>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest income on   |                 |                 |
| — bank balances and trade receivables measured at amortised cost | 14,895          | 18,685          |
| — debt securities measured at fair value through profit or loss  | 11,551          | 3,024           |
| — unlisted investment stated at cost                             | 2,528           | —               |
|  | <u>28,974</u>   | <u>21,709</u>   |
| Dividend income from listed equity securities                    | 74              | 20              |
| Gain on disposal of property, plant and equipment                | 175             | —               |
| Reversal of allowance for doubtful debts                         | —               | 1,534           |
| Sundry   | 4,964           | 2,714           |
|  | <u>34,187</u>   | <u>25,977</u>   |

**8. FINANCE COSTS**

|  | <b>2015</b>     | <b>2014</b>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on borrowings                   |                 |                 |
| — wholly repayable within five years     | 486             | 495             |
| — not wholly repayable within five years | 1,689           | 2,210           |
|  | <u>2,175</u>    | <u>2,705</u>    |

## 9. PROFIT BEFORE INCOME TAX

|  | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Profit before income tax has been arrived at after charging/(crediting):       |                                |                                |
| Auditor's remuneration   | 850                            | 850                            |
| Amortisation of prepaid lease payments for land                                | 4                              | 4                              |
| Depreciation of property, plant and equipment                                  | 2,307                          | 2,178                          |
| Loss on write-off of property, plant and equipment                             | 303                            | —                              |
| Cost of inventories recognised as an expense, including                        | 1,117,379                      | 1,214,309                      |
| — Allowance for inventories  | 4,221                          | —                              |
| Exchange loss, net   | 6,322                          | 6,092                          |
| Allowance/(Reversal of allowance) for doubtful debts                           | 13,197                         | (1,542)                        |
| Bad debt written off   | 705                            | 8                              |
| Employee costs (including directors' emoluments)<br><i>(notes (a) and (b))</i> | 27,786                         | 30,733                         |
| Other operating income, net:   |                                |                                |
| Reversal of provision for direct expenses and tax<br><i>(note (c))</i>         | —                              | (48,184)                       |
| Reversal of provision for taxes and charges <i>(note (d))</i>                  | (3,410)                        | —                              |
| Impairment loss on available-for-sale financial assets                         | 1                              | 25                             |
|  | <u>(3,409)</u>                 | <u>(48,159)</u>                |
| Gross rental income  | (38,215)                       | (40,499)                       |
| Less: Outgoings  | 2,854                          | 3,292                          |
| Net rental income  | <u>(35,361)</u>                | <u>(37,207)</u>                |

*Notes:*

(a) Employee costs (including directors' emoluments (note 10(a)) comprise:

|   | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Salaries, allowances and other benefits                               | 26,528                         | 29,253                         |
| Retirement fund contributions — defined contribution retirement plans | 1,258                          | 1,480                          |
|   | <u>27,786</u>                  | <u>30,733</u>                  |

- (b) Operating lease charges in respect of the Group's staff quarters of HK\$1,579,000 (2014: HK\$1,416,000) are included in staff costs.
- (c) In October 2012, the Group disposed of 43% of the issued share capital of Samstrong International Limited ("Samstrong"). Before the disposal, Samstrong and the companies under Samstrong ("Samstrong Group") were associates of the Group in which the Group held 43% interests through Great China Development (Shanghai) Limited ("GCD", an indirect wholly-owned subsidiary of the Company).

Pursuant to the sale and purchase agreement, the Group agreed to indemnify the buyer of Samstrong Group for taxes and claims related to Samstrong Group which potentially arise within a period of eighteen months after the completion date (the "Warranty Period"). The aggregate provision made by the Group for the potential claims arising during the Warranty Period and other direct expenses and taxes related to the disposal amounted to approximately HK\$60,460,000, which was included in "Gain on disposal after deducting direct expenses and tax" as presented in the consolidated income statement of the Group for the year ended 31 December 2012.

During the year ended 31 December 2014, following the expiry of the Warranty Period and the dissolution of GCD, and after deducting the claims made so far, the Group has reversed the remaining provision amounting to approximately HK\$48,184,000 and this was included in "Other operating income, net" in the consolidated income statement for the year ended 31 December 2014.

- (d) Various PRC taxes and charges in the sum of HK\$3,410,000 arising from or in connection with 博平置業(上海)有限公司 ("Poppin", an indirectly wholly-owned subsidiary of the Company) have been provided during the years ended 31 December 2004, 2005 and 2006 and the Group was not required to settle these obligations over these years. After taking into account of the opinion of the Group's PRC tax consultant, the management considered that it is no longer probable for the tax authorities of the PRC to enforce the settlement of these taxes and charges. The provision is reversed during the year and this was included in "Other operating income, net" in the consolidated income statement for the year ended 31 December 2015.

## 10. DIRECTORS' AND EMPLOYEES' REMUNERATION

### (a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) is as follows:

|  | Mr.<br>Rustom<br>Ming Yu<br>HO<br>HK'000 | Mr.<br>John Ming<br>Tak HO<br>HK'000 | Mr.<br>Patrick<br>Kwok Wai<br>POON<br>HK'000 | Mr. Maung<br>Tun<br>MYINT<br>HK'000 | Mr.<br>Lawrence<br>Kam Kee<br>YU<br>HK'000 | Mr.<br>David Hon<br>To YU<br>HK'000 | Mr.<br>Hsu Chou<br>WU<br>HK'000 | Ms.<br>Yu Gia<br>HO<br>HK'000 | Total<br>HK'000 |
|--|--|--------------------------------------|--|-------------------------------------|--|-------------------------------------|---------------------------------|-------------------------------|-----------------|
| <i>For the year ended 31 December 2015</i> |  |                                      |  |                                     |  |                                     |                                 |                               |                 |
| Fees                                       | —  | —                                    | —  | —                                   | 280  | 300                                 | 70                              | 70                            | 720             |
| Other emoluments                           |  |                                      |  |                                     |  |                                     |                                 |                               |                 |
| Salaries and other benefits                | 1,197                                    | 4,588                                | 1,767  | 2,202                               | —  | —                                   | —                               | —                             | 9,754           |
| Retirement benefit scheme contributions    | —  | 18                                   | 8  | 18                                  | —  | —                                   | —                               | —                             | 44              |
|  | <u>1,197</u>                             | <u>4,606</u>                         | <u>1,775</u>                                 | <u>2,220</u>                        | <u>280</u>                                 | <u>300</u>                          | <u>70</u>                       | <u>70</u>                     | <u>10,518</u>   |

|   | Mr.<br>Rustom<br>Ming Yu<br>HO<br>HK'000 | Mr.<br>John Ming<br>Tak HO<br>HK'000 | Mr.<br>Patrick<br>Kwok Wai<br>POON<br>HK'000 | Mr.<br>Maung<br>Tun<br>MYINT<br>HK'000 | Mr.<br>Lawrence<br>Kam Kee<br>YU<br>HK'000 | Mr.<br>David Hon<br>To YU<br>HK'000 | Mr.<br>Hsu Chou<br>WU<br>HK'000 | Ms.<br>Yu Gia<br>HO<br>HK'000 | Total<br>HK'000 |
|---|--|--------------------------------------|--|--|--|-------------------------------------|---------------------------------|-------------------------------|-----------------|
| <i>For the year ended 31 December 2014</i>    |  |                                      |  |  |  |                                     |                                 |                               |                 |
| Fees  | —  | —                                    | —  | —                                      | 280  | 300                                 | 70                              | 70                            | 720             |
| Other emoluments                              |  |                                      |  |  |  |                                     |                                 |                               |                 |
| Salaries and other benefits                   | 1,270                                    | 4,388                                | 1,905  | 2,145                                  | —  | —                                   | —                               | —                             | 9,708           |
| Discretionary performance bonus<br>(note (i)) | 50                                       | 2,287                                | 341  | 917                                    | —  | —                                   | —                               | —                             | 3,595           |
| Retirement benefit scheme<br>contributions    | —  | 17                                   | 17   | 17                                     | —  | —                                   | —                               | —                             | 51              |
|   | <u>1,320</u>                             | <u>6,692</u>                         | <u>2,263</u>                                 | <u>3,079</u>                           | <u>280</u>                                 | <u>300</u>                          | <u>70</u>                       | <u>70</u>                     | <u>14,074</u>   |

*Notes:*

- (i) The discretionary performance bonus is determined having regard to the performance of individuals and financial performance of the Group.
- (ii) No directors waived any emoluments during the year ended 31 December 2015 (2014: nil).

**(b) Five highest paid individuals**

Of the five individuals with the highest emoluments in the Group, four (2014: four) are directors of the Company whose emoluments are included in the disclosure in note (a) above. The emoluments of the remaining one (2014: one) highest paid individual is as follows:

|   | 2015<br>HK\$'000 | 2014<br>HK\$'000 |
|---|------------------|------------------|
| Salaries and other benefits                               | 630              | 600              |
| Discretionary performance bonus                           | 390              | 366              |
| Retirement benefits costs — defined contribution<br>plans | 18               | 17               |
|   | <u>1,038</u>     | <u>983</u>       |

The emoluments were within the following bands:

|                                | Number of individual |          |
|--------------------------------|----------------------|----------|
|                                | 2015                 | 2014     |
| Nil to HK\$1,000,000           | —                    | 1        |
| HK\$1,000,001 to HK\$1,500,000 | 1                    | —        |
|                                | <u>1</u>             | <u>1</u> |

No emolument was paid or payable by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2015 (2014: nil).

## 11. INCOME TAX EXPENSE

|                                 | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Income tax expense comprises:   |                         |                         |
| Hong Kong profits tax           |                         |                         |
| Current tax for the year        | 133                     | 536                     |
| Over-provision in prior years   | (154)                   | (32)                    |
|                                 | <u>(21)</u>             | <u>504</u>              |
| Other jurisdictions             |                         |                         |
| Current tax for the year        | 3,597                   | 3,916                   |
| Withholding tax                 | —                       | 50                      |
|                                 | <u>3,597</u>            | <u>3,966</u>            |
| Deferred tax ( <i>note 28</i> ) | <u>6,625</u>            | <u>8,503</u>            |
| Income tax expense              | <u><u>10,201</u></u>    | <u><u>12,973</u></u>    |

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%.

Enterprise Income Tax arising from certain Hong Kong subsidiaries’ operations in the PRC is calculated at tax rate of 10% (2014: 10%) on the estimated assessable income for the year.

The income tax expense for the year can be reconciled to profit before income tax per the consolidated income statement as follows:

|   | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Profit before income tax  | <u>11,855</u>                  | <u>186,376</u>                 |
| Tax on profit before income tax, calculated at applicable tax rates | 1,586                          | 31,749                         |
| Tax effect of expenses not deductible for tax purpose               | 10,752                         | 1,968                          |
| Tax effect of income not taxable for tax purpose                    | (3,081)                        | (14,120)                       |
| Tax effect of tax losses not recognised                             | 508                            | 7                              |
| Tax effect of utilisation of tax losses previously not recognised   | (518)                          | (8,459)                        |
| Tax effect of temporary difference not recognised                   | 1,108                          | 2,108                          |
| Over-provision in respect of prior years                            | (154)                          | (32)                           |
| Withholding tax   | —                              | 50                             |
| Others  | —                              | (298)                          |
| Income tax expense  | <u>10,201</u>                  | <u>12,973</u>                  |

## 12. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to owners of the Company are based on the following data:

|   | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Profit for the year attributable to owners of the Company           | <u>1,654</u>                   | <u>173,403</u>                 |
|   | <b>Number of shares</b>        |                                |
|   | <b>2015</b>                    | <b>2014</b>                    |
| Weighted average number of ordinary shares in issue during the year | <u>261,684,910</u>             | <u>261,684,910</u>             |

Basic and diluted earnings per share for the years ended 31 December 2015 and 2014 are equal as there were no potential dilutive ordinary shares in issue in both years.

**13. DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015. The 2014 final dividend of HK\$0.12 per ordinary share amounting to HK\$31,402,000 has been approved by the shareholders in the 2015 annual general meeting held on 20 May 2015.

|   | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Final dividend in respect of previous financial year,<br>approved and paid during the year: 2014 final<br>dividend of HK\$0.12 (2014: 2013 final dividend of<br>HK\$0.1) per ordinary share | 31,402                         | 26,168                         |

On 20 January 2016, the directors have proposed a special dividend of not less than HK\$1.147 per share before the completion of the disposal of the entire issued share capital of Datong Global Holdings Limited and Xingao Limited and their subsidiaries to Fulcrest, totalling not less than HK\$300 million, and conditional on the completion of the disposal, another special dividend of not less than HK\$2.293 per share, totalling not less than HK\$600 million. These special dividends are subject to approval by independent shareholders at an extraordinary general meeting. Details of the disposal and the special dividends, together with other relevant information, are set out in the Company's announcement dated 4 February 2016.

**14. INVESTMENT PROPERTIES**

|                       | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|-----------------------|--------------------------------|--------------------------------|
| <b>Fair value</b>     |                                |                                |
| At 1 January          | 1,022,169                      | 972,262                        |
| Exchange realignment  | (23,515)                       | (11,164)                       |
| Change in fair value  | (15,996)                       | 61,071                         |
| <b>At 31 December</b> | 982,658                        | 1,022,169                      |

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income, further details of which are set out in note 29.

The fair value of the Group's investment properties at 31 December 2015 and 2014 have been arrived at on the basis of valuations carried out by Asset Appraisal Limited ("Asset Appraisal") and A.G. Wilkinson & Associates (Surveyors) Limited ("A.G. Wilkinson & Associates"), respectively. Asset Appraisal and A.G. Wilkinson & Associates are independent qualified professional valuers to the Group. Both of them are members of the Hong Kong



Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of properties in the PRC and Hong Kong when they value the investment properties of the Group.

The valuation of the investment properties as at 31 December 2015 and 2014 is determined using investment method of valuation which uses direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

The fair value of all investment properties of the Group is Level 3 recurring fair value measurement as at 31 December 2015 and 2014.

The following table reconciles the recurring fair value measurement of investment properties using significant unobservable inputs (Level 3):

|   | <b>Shops in<br/>Hong<br/>Kong</b> | <b>Apartments<br/>in Hong<br/>Kong</b> | <b>Car park<br/>space in<br/>Hong<br/>Kong</b> | <b>Properties<br/>in Shanghai</b> | <b>Total</b>    |
|---|-----------------------------------|--|--|-----------------------------------|-----------------|
|   | <i>HK\$'000</i>                   | <i>HK\$'000</i>                        | <i>HK\$'000</i>                                | <i>HK\$'000</i>                   | <i>HK\$'000</i> |
| At 1 January 2014   | 464,200                           | —                                      | 1,140  | 441,822                           | 907,162         |
| Transfer from Level 2   | —                                 | 65,100                                 | —  | —                                 | 65,100          |
| Exchange realignment  | —                                 | —                                      | —  | (11,164)                          | (11,164)        |
| Net gain from fair value measurement  |                                   |  |  |                                   |                 |
| — Included in “Change in fair value of investment properties”   | 16,000                            | 800                                    | 130  | 44,141                            | 61,071          |
| At 31 December 2014 and 1 January 2015  | 480,200                           | 65,900                                 | 1,270  | 474,799                           | 1,022,169       |
| Exchange realignment  | —                                 | —                                      | —  | (23,515)                          | (23,515)        |
| Net gain from fair value measurement  |                                   |  |  |                                   |                 |
| — Included in “Change in fair value of investment properties”   | (35,900)                          | (8,400)                                | 30   | 28,274                            | (15,996)        |
| <b>At 31 December 2015</b>  | <b>444,300</b>                    | <b>57,500</b>                          | <b>1,300</b>                                   | <b>479,558</b>                    | <b>982,658</b>  |
| <b>Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December 2014</b> | <b>16,000</b>                     | <b>800</b>                             | <b>130</b>                                     | <b>44,141</b>                     | <b>61,071</b>   |
| <b>Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 December 2015</b> | <b>(35,900)</b>                   | <b>(8,400)</b>                         | <b>30</b>                                      | <b>28,274</b>                     | <b>(15,996)</b> |

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

**As at 31 December 2015**

| Properties                           | Location          | Valuation technique   | Fair value hierarchy | Unobservable inputs     | Range of unobservable inputs  | Relationship of unobservable inputs to fair value           |
|--------------------------------------|-------------------|---|----------------------|-------------------------|---|---|
| Shops, apartments and car park space | Hong Kong         | Investment Method of valuation — Capitalisation of net income | Level 3              | Market rent (per month) | For shops: HK\$198.26 to HK\$896.86 per square foot ("sq.ft.")<br>For apartments: HK\$52.84 per sq.ft.<br>For car park space: HK\$4,117 monthly basis | The higher the rental value, the higher the fair value      |
|                                      |                   |   |                      | Market Yield            | 2.00% to 2.50%  | The higher the market yield, the lower the fair value       |
|                                      |                   |   |                      | Term Yield              | 2.48% to 5.46%  | The higher the term yield, the lower the fair value         |
|                                      |                   |   |                      | Reversionary yield      | 2.50% to 3.00%  | The higher the reversionary yield, the lower the fair value |
| Apartment, shops and car park spaces | Shanghai, the PRC | Investment Method of valuation — Capitalisation of net income | Level 3              | Market rent (per month) | For apartments and shops: Renminbi ("RMB") 52.51 to RMB226.26 per square metre ("sq. m.")<br>For car park spaces: RMB825 per unit                     | The higher the rental value, the higher the fair value      |
|                                      |                   |   |                      | Market Yield            | 3.00% to 5.00%  | The higher the market yield, the lower the fair value       |
|                                      |                   |   |                      | Term Yield              | 2.00% to 5.40%  | The higher the term yield, the lower the fair value         |
|                                      |                   |   |                      | Reversionary yield      | 3.50% to 5.50%  | The higher the reversionary yield, the lower the fair value |

## As at 31 December 2014

| Properties                           | Location          | Valuation technique   | Fair value hierarchy | Unobservable inputs     | Range of unobservable inputs  | Relationship of unobservable inputs to fair value      |
|--------------------------------------|-------------------|---|----------------------|-------------------------|---|--|
| Shops, apartments and car park space | Hong Kong         | Investment Method of valuation — Capitalisation of net income | Level 3              | Market rent (per month) | For shops: HK\$300.68 to HK\$845.00 per sq.ft.<br>For apartments: HK\$58.9 to HK\$65.49 per sq.ft.<br>For car park space: HK\$4,525 monthly basis | The higher the rental value, the higher the fair value |
|                                      |                   |   |                      | Market Yield            | 2.35% to 4.75%  | The higher the market yield, the lower the fair value  |
|                                      |                   |   |                      | Term Yield              | 1.92% to 5.10%  | The higher the term yield, the lower the fair value    |
| Apartment, shops and car park spaces | Shanghai, the PRC | Investment Method of valuation — Capitalisation of net income | Level 3              | Market rent (per month) | For apartments and shops: RMB83.6 to RMB256.5 per sq. m.<br>For car park spaces: RMB912 per unit  | The higher the rental value, the higher the fair value |
|                                      |                   |   |                      | Market Yield            | 4.10% to 5.65%  | The higher the market yield, the lower the fair value  |
|                                      |                   |   |                      | Term Yield              | 2.59% to 5.13%  | The higher the term yield, the lower the fair value    |
|                                      |                   |   |                      | Outgoing rate           | 3.00% to 5%   | The higher the outgoing rate, the lower the fair value |

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Certain investment properties with an aggregate carrying amount of HK\$798,850,000 (2014: HK\$844,502,000) are pledged to secure banking facilities granted to the Group (note 31).

The carrying amount of Group's investment properties is analysed as follows:

|   | <b>2015</b>     | <b>2014</b>      |
|---|-----------------|------------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i>  |
| Properties situated in:                   |                 |                  |
| — leasehold land in Hong Kong under:      |                 |                  |
| Long-term lease                           | 445,600         | 481,470          |
| Medium-term lease                         | 57,500          | 65,900           |
|   | <u>503,100</u>  | <u>547,370</u>   |
| — leasehold land outside Hong Kong under: |                 |                  |
| Long-term lease                           | 297,050         | 298,402          |
| Medium-term lease                         | 182,508         | 176,397          |
|   | <u>479,558</u>  | <u>474,799</u>   |
|   | <u>982,658</u>  | <u>1,022,169</u> |

## 15. PROPERTY, PLANT AND EQUIPMENT

|   | Leasehold<br>land<br><i>HK\$'000</i> | Buildings<br><i>HK\$'000</i> | Leasehold<br>improvements<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Furniture,<br>fixtures and<br>office<br>equipment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|--------------------------------------|------------------------------|--|--------------------------------------|--|--------------------------|
| <b>COST</b>                               |                                      |                              |  |                                      |  |                          |
| At 1 January 2014                         | 38,216                               | 9,662                        | 15,111                                       | 2,314                                | 7,178  | 72,481                   |
| Exchange realignment                      | —                                    | (85)                         | (137)  | (42)                                 | (79)   | (343)                    |
| Additions                                 | —                                    | —                            | —  | —                                    | 68   | 68                       |
| At 31 December 2014<br>and 1 January 2015 | 38,216                               | 9,577                        | 14,974                                       | 2,272                                | 7,167  | 72,206                   |
| Exchange realignment                      | —                                    | (157)                        | (70)   | (46)                                 | (108)  | (381)                    |
| Additions                                 | —                                    | —                            | 1,960  | 1,315                                | 195  | 3,470                    |
| Disposals/Write-off                       | —                                    | —                            | (5,137)                                      | (1,362)                              | (2,505)  | (9,004)                  |
| At 31 December 2015                       | 38,216                               | 9,420                        | 11,727                                       | 2,179                                | 4,749  | 66,291                   |
| <b>ACCUMULATED<br/>DEPRECIATION</b>       |                                      |                              |  |                                      |  |                          |
| At 1 January 2014                         | 1,831                                | 1,677                        | 10,825                                       | 1,565                                | 6,356  | 22,254                   |
| Exchange realignment                      | —                                    | (33)                         | (113)  | (28)                                 | (63)   | (237)                    |
| Provided for the year                     | 318                                  | 226                          | 1,069  | 298                                  | 267  | 2,178                    |
| At 31 December 2014<br>and 1 January 2015 | 2,149                                | 1,870                        | 11,781                                       | 1,835                                | 6,560  | 24,195                   |
| Exchange realignment                      | —                                    | (64)                         | (67)   | (1)                                  | (102)  | (234)                    |
| Provided for the year                     | 319                                  | 222                          | 1,281  | 187                                  | 298  | 2,307                    |
| Write back on<br>disposal/Write-off       | —                                    | —                            | (5,059)                                      | (979)                                | (2,217)  | (8,255)                  |
| At 31 December 2015                       | 2,468                                | 2,028                        | 7,936  | 1,042                                | 4,539  | 18,013                   |
| <b>NET BOOK VALUE</b>                     |                                      |                              |  |                                      |  |                          |
| <b>At 31 December 2015</b>                | <b>35,748</b>                        | <b>7,392</b>                 | <b>3,791</b>                                 | <b>1,137</b>                         | <b>210</b>   | <b>48,278</b>            |
| At 31 December 2014                       | 36,067                               | 7,707                        | 3,193  | 437                                  | 607  | 48,011                   |

Property, plant and equipment are depreciated on a straight-line basis to write off their cost, less estimated residual value, if any, over their estimated useful lives as follows:

**Category of assets**

|   |   |
|---|---|
| Leasehold land                              | Over the term of the lease                                |
| Buildings                                   | Over the shorter of the term of the lease, or<br>40 years |
| Leasehold improvements                      | 5 years   |
| Motor vehicles                              | 4 years   |
| Furniture, fixtures and office<br>equipment | 5 years   |

Certain leasehold land and buildings with aggregate carrying amount of HK\$40,804,000 (2014: HK\$41,280,000) are pledged to secure banking facilities granted to the Group (note 31).

The carrying amount of leasehold land represents land located in Hong Kong held by the Group under long-term lease (2014: long-term lease).

**16. PREPAID LEASE PAYMENTS FOR LAND**

|                                       | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---------------------------------------|--------------------------------|--------------------------------|
| Carrying amount at 1 January          | <b>267</b>                     | 271                            |
| Amortisation for the year             | <b>(4)</b>                     | (4)                            |
| <b>Carrying amount at 31 December</b> | <b><u>263</u></b>              | <b><u>267</u></b>              |

The Group's prepaid lease payments for land comprise:

|   | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Leasehold land in the PRC held under<br>— long-term lease | <u>263</u>                     | <u>267</u>                     |
| Analysed for reporting purposes as:                       |                                |                                |
| — Non-current asset                                       | 259                            | 263                            |
| — Current asset   | <u>4</u>                       | <u>4</u>                       |
|   | <b><u>263</u></b>              | <b><u>267</u></b>              |

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Club debentures stated at fair value ( <i>note (i)</i> )        | 1,896                   | 1,867                   |
| Unlisted investment stated at cost ( <i>note (ii)</i> )         | 27,300                  | —                       |
| Unlisted equity securities stated at cost ( <i>note (iii)</i> ) | 10,530                  | 10,530                  |
|   | <u>39,726</u>           | <u>12,397</u>           |

*Notes:*

- (i) Available-for-sale financial assets as at 31 December 2015 include club debentures with net carrying amount of HK\$1,896,000 (2014: HK\$1,867,000), which are stated at fair value.
- (ii) During the year, the Group contributed US\$3,500,000 (approximately HK\$27,300,000) to a close-ended private equity fund (“the Fund”). The Fund invests a series of senior secured bonds, with the term of two years and the interest rate of 12% per annum. The principal amount and interests are payable on the maturity date. The Fund does not have a quoted market price in an active market and whose fair value cannot be reliably measured. It is measured at cost less any identified impairment losses at the end of the reporting period.
- (iii) The balances of HK\$10,530,000 (2014: HK\$10,530,000) represent investment in unlisted equity securities, which are stated at cost less impairment, if any. The directors of the Company are of the opinion that the range of reasonable fair value estimates is so significant that its fair value cannot be measured reliably.

## 18. PROPERTIES HELD FOR SALE

|                                   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|-----------------------------------|-------------------------|-------------------------|
| Properties held for sale          |                         |                         |
| — Prepaid lease payments for land | 5,655                   | 5,937                   |
| — Buildings                       | 12,439                  | 13,471                  |
|                                   | <u>18,094</u>           | <u>19,408</u>           |

The carrying amounts of prepaid lease payments for land of HK\$5,655,000 (2014: HK\$5,937,000) included in properties held for sale represent interest in land held by the Group under long-term lease.



## 19. INVENTORIES

|                      | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|----------------------|--------------------------------|--------------------------------|
| Trading merchandises | <u>70,314</u>                  | <u>63,353</u>                  |

## 20. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

|   | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Trade and bills receivables, net ( <i>note (a)</i> )                    | 117,610                        | 70,513                         |
| Prepayments, deposits and other receivables, net<br>( <i>note (b)</i> ) | <u>77,563</u>                  | <u>80,692</u>                  |
| Carrying amount at 31 December  | 195,173                        | 151,205                        |
| Less: Current portion   | <u>(163,380)</u>               | <u>(151,205)</u>               |
| Non-current portion   | <u>31,793</u>                  | <u>—</u>                       |

**(a) Trade and bills receivables**

|  | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Trade and bills receivables                            | 128,816                        | 72,683                         |
| Less: Allowance for doubtful debts ( <i>note (c)</i> ) | <u>(11,206)</u>                | <u>(2,170)</u>                 |
| Trade and bills receivables, net                       | <u>117,610</u>                 | <u>70,513</u>                  |

The Group's bills receivables are on sight letter of credit, usance letter of credit up to a tenor of 180 days (2014: 180 days) and bank's acceptance bills up to a tenor of 30 to 60 days (2014: 30 to 60 days). For other trade receivables, the Group allows a credit period ranging from 30 to 90 days (2014: 30 to 90 days). Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed once a year.

None of the Group's bills receivables as at 31 December 2015 and 2014 have been discounted to the financial institutions.

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts), based on invoice dates, as of the end of the reporting period is as follows:

|               | <b>2015</b>     | <b>2014</b>     |
|---------------|-----------------|-----------------|
|               | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–30 days     | 66,092          | 28,040          |
| 31–60 days    | 8,296           | 9,831           |
| 61–90 days    | 167             | 1,311           |
| 91–120 days   | 14,087          | —               |
| Over 120 days | 28,968          | 31,331          |
|               | <u>117,610</u>  | <u>70,513</u>   |

The ageing of trade and bills receivables which are past due but not impaired are as follows:

|                            | <b>2015</b>     | <b>2014</b>     |
|----------------------------|-----------------|-----------------|
|                            | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Less than 30 days past due | 203             | 709             |
| 31 to 60 days past due     | 932             | 1,428           |
| 61 to 90 days past due     | 167             | 1,311           |
| Over 120 days past due     | 20,856          | 31,331          |
|                            | <u>22,158</u>   | <u>34,779</u>   |

As at 31 December 2015, trade and bills receivables of HK\$95,452,000 (2014: HK\$35,734,000) are neither past due nor impaired. These relate to a number of customers and based on historical information, default risk of these trade and bills receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

Trade receivables that were past due but not impaired at the end of the reporting period mainly relate to a customer, Guangzhou Jinhe Feed Company Limited (“Jinhe”) and further details are set out in note (c) below.

**(b) Prepayments, deposits and other receivables**

|  | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Prepayments and deposits                               | 1,614                          | 2,644                          |
| Other receivables                                      | 80,120                         | 78,620                         |
|  | <u>81,734</u>                  | <u>81,264</u>                  |
| Less: Allowance for doubtful debts ( <i>note (c)</i> ) | <u>(4,171)</u>                 | <u>(572)</u>                   |
|  | <u><u>77,563</u></u>           | <u><u>80,692</u></u>           |

**(c) Impairment of trade and other receivables**

The movement in the allowance for doubtful debts is as follows:

|  | <b>Trade and bills<br/>receivables</b> |                                | <b>Other receivables</b>       |                                |
|--|--|--------------------------------|--------------------------------|--------------------------------|
|  | <b>2015</b><br><i>HK\$'000</i>         | <b>2014</b><br><i>HK\$'000</i> | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
| Balance at 1 January                                 | 2,170                                  | 3,582                          | 572                            | 777                            |
| Provision for impairment<br>loss                     | 9,446                                  | —                              | 3,751                          | —                              |
| Reversal of impairment loss<br>previously recognised | —                                      | (1,355)                        | —                              | (187)                          |
| Exchange realignment                                 | (410)                                  | (57)                           | (152)                          | (18)                           |
| Balance at 31 December                               | <u><u>11,206</u></u>                   | <u><u>2,170</u></u>            | <u><u>4,171</u></u>            | <u><u>572</u></u>              |

Impairment provision made at the end of the reporting period relates to:

- (i) trade and other receivables due from Jinhe of HK\$43,776,000 (2014: HK\$45,961,000), of which HK\$14,511,000 (2014: HK\$1,992,000) has been provided; and
- (ii) trade receivables due from other customers of HK\$866,000 (2014: HK\$750,000) which have been fully provided as the customers are in financial difficulties.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date.

Included in trade receivables and other receivables as at 31 December 2015 are gross carrying amounts of HK\$31,194,000 (2014: HK\$32,751,000) and HK\$12,582,000 (2014: HK\$13,210,000) respectively, due from a customer of fishmeal trading, Jinhe. These receivables are past due as at the reporting date and impairment loss amounting to HK\$14,511,000 (2014: HK\$1,992,000) in aggregate has been provided for these balances. The Group holds a guarantee from Mr. Huang Xianning (the “Guarantor”) who pledged all his rights and interests in a property investment project (the “Investment Project”) to secure the receivables from Jinhe (the “Collateral Arrangement”).

The Group has commenced legal proceedings against Jinhe, the Guarantor and Mr. Wong Hiuman (who shares joint and several liabilities over the payment obligation of Jinhe under the fishmeal trading contracts) since 2011. On 16 January 2015, the Shanghai Higher People’s Court released a judgement (the “Judgement”) that Jinhe has to compensate the Group for the losses arising from price differences of reselling the inventories and the expenses paid by the Group on behalf of Jinhe as well as the import agency fee to the Group, and that Mr. Wong Hiuman should have the responsibility to bear all the above compensations under his obligation. Pursuant to the Judgement, Jinhe and Mr. Wong Hiuman should compensate the Group within 10 days from the date of the Judgement, but they failed to do so. On 9 February 2015, the Group has lodged an application for enforcement to the Shanghai No. 2 Intermediate People’s Court to execute the Judgement (the “Enforcement”). On 5 August 2015, Jinhe and Mr. Wong Hiuman have lodged an application for appeal (the “Appeal”) to the Supreme People’s Court of the PRC in respect of the Judgement, and the Supreme People’s Court of the PRC has rejected the Appeal on 17 December 2015. Up to the date of issuance of the consolidated financial statements, the Enforcement is still in progress.

The Group has also applied arbitration (the “Arbitration”) against the Guarantor in respect of the Group’s right to receive compensation under the Collateral Arrangement on 4 February 2015. In accordance with an order from the tribunal, the Group and the Guarantor have submitted their respective statement of opinion to the arbitration to the tribunal before 17 August 2015 and an arbitration hearing has been held on 13 November 2015. Subsequent to the hearing on 13 November 2015, the Group and the Guarantor have submitted their respective statement of further opinion to the arbitration. Up to the date of issuance of the consolidated financial statements, the Arbitration is still in progress and the tribunal has not yet formed any award in respect of the Group’s right to receive compensation under the Collateral Arrangement.

Based on opinion of the Group’s PRC legal counsel, it may take a substantial period of time for the tribunal to form an award to the Arbitration. The PRC legal counsel also opined that even if an award is formed by the tribunal, the Guarantor may disagree with or not follow the award to fulfill his obligation under the Collateral Arrangement, and the Group will then have to apply for a civil enforcement to a court for obtaining or selling the Guarantor’s interest in the Investment Project so as to recover the amounts due from Jinhe. After taking into account of the opinion of the Group’s PRC legal counsel, the management considered that the Group will be able to recover the amounts due from Jinhe, but in a substantial period of time which subject to the progress of the Arbitration and the possible legal actions to be taken against the

Guarantor in respect of the Collateral Arrangement, if any. Having considered the estimated time for the Arbitration and the possible legal actions to be taken against the Guarantor in respect of the Collateral Arrangement, the management has calculated the present value of trade receivables and other receivables due from Jinhe by discounting its estimated future cash flows by ten years (2014: one and a half years) using a pre-tax discount rate of 3% (2014: 3%) per annum to reflect the time value of money. As a result of the discount, the Group has provided impairment on the trade receivables and other receivables due from Jinhe of HK\$10,340,000 (2014: HK\$1,420,000) and HK\$4,171,000 (2014: HK\$572,000) respectively as at 31 December 2015.

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Equity securities held for trading, at fair value |                         |                         |
| — Listed in Hong Kong                             | —                       | 362                     |
| Debt securities held for trading, at fair value   |                         |                         |
| — Listed in Hong Kong                             | 191,043                 | 162,682                 |
| — Listed outside Hong Kong                        | 7,729                   | —                       |
|   | <u>198,772</u>          | <u>162,682</u>          |
|   | <u>198,772</u>          | <u>163,044</u>          |

## 22. DERIVATIVE FINANCIAL ASSETS

|  | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Derivative financial assets</b>             |                         |                         |
| Cross-currency interest rate swap arrangements | —                       | 38                      |

At 31 December 2015, the Group did not have any outstanding cross-currency interest rate swap arrangements.

During the year ended 31 December 2014, the Group entered into cross-currency interest rate swap arrangements with a bank in order to earn interest differentials between RMB bank deposits and USD bank loans. Under the arrangements, the Group simultaneously placed fixed-rate RMB deposits, arranged floating-rate USD bank loans and entered into foreign currency forward contracts and interest rate swap contracts with same notional amount and maturity period with the bank. In effect, the Group is not exposed to exchange rate fluctuation despite the deposits and the bank loans are denominated in different currencies and the Group is able to earn interest differentials arising from RMB deposits and the USD bank loans. These contracts are arranged by the Group with the bank as a

package and they cannot be terminated until the respective maturity dates and must be settled simultaneously. These cross-currency interest rate swap arrangements are accounted for as single derivative financial instruments measured at fair value through profit or loss.

As at 31 December 2014, the notional amount of the two outstanding cross-currency interest rate swap arrangements amounted to approximately RMB199,204,000. The maturity of the arrangements is one month subsequent to 31 December 2014. The fair value of the Group's cross-currency interest rate swap arrangements as at 31 December 2014 is estimated to be financial assets of approximately HK\$38,000.

The fair values of the cross-currency interest rate swap arrangements are determined based on valuation techniques described in note 37.

### **23. RESTRICTED BANK DEPOSIT/STRUCTURED BANK DEPOSITS/BANK BALANCES AND CASH**

#### **Restricted bank deposit**

Restricted bank deposit as at 31 December 2015 and 31 December 2014 represented a time deposit with original maturity of one year (2014: 2 years) up to November 2016 (2014: November 2015) charged to the Heyuan Intermediate People's Court as guarantee for the application of the second assets preservation order to seal up the collateral pledged by the Guarantor (note 20(c)). The restricted bank deposit carried fixed interest rate at 2% (2014: 4.13%) per annum.

#### **Structured bank deposits**

At 31 December 2015, the Group did not have any structured bank deposits.

The structured bank deposits as at 31 December 2014 are principal-protected yield enhancement bank deposits which comprise:

- (i) Structured bank deposits HK\$62,375,000 carried a minimum interest rate at 1.8% per annum and could be enhanced to a maximum interest rate ranging from 4.85% to 4.90% per annum which is to be determined by reference to the market exchange rate of USD/Australian Dollar ("AUD") during a pre-determined period ranging from two months to four months. The structured bank deposits contained embedded derivatives representing a return which would vary with prevailing market exchange rate of USD/AUD.
- (ii) Structured bank deposits of HK\$174,650,000 which contains an option that enable the bank to recall the deposit prior to the maturity date. Such bank deposits carries interest rate ranging from 4.85% to 5.00% per annum and has original maturity of ranging from 66 days to 88 days.

The directors of the Company consider that the fair value of the derivatives embedded in these structured bank deposits is minimal and hence no derivative financial instrument is recognised.

**Bank balances and cash**

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Cash at banks earned interest at floating rates based on daily bank deposit rates. Short-term bank deposits earn market interest rates ranging from 0.01% to 0.79% (2014: 0.64% to 0.90%) per annum.

Included in bank deposits, bank balances and cash of the Group, HK\$ 52,581,000 (2014: HK\$346,211,000) are denominated in RMB and deposited with banks in the PRC. RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into foreign currencies through the banks authorised to conduct foreign exchange business.

**24. TRADE AND BILLS PAYABLES**

The ageing analysis of trade and bills payables, based on invoice dates, as at the end of the reporting period is as follows:

|               | <b>2015</b>     | <b>2014</b>     |
|---------------|-----------------|-----------------|
|               | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–30 days     | 40,160          | 63,464          |
| 31–60 days    | 156             | 3,463           |
| Over 120 days | 2,448           | 6,265           |
|               | <u>42,764</u>   | <u>73,192</u>   |

In respect of trade payables, the average credit period is 30 days (2014: 30 days).

**25. BORROWINGS**

|                       | <b>2015</b>     | <b>2014</b>     |
|-----------------------|-----------------|-----------------|
|                       | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Bank loans, secured   | 114,293         | 192,112         |
| Less: Current portion | <u>(18,652)</u> | <u>(77,831)</u> |
| Non-current portion   | <u>95,641</u>   | <u>114,281</u>  |

Based on the scheduled repayment dates set out in loan agreements, borrowings are repayable as follows:

|   | <b>2015</b>     | <b>2014</b>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year                                   | 18,652          | 77,831          |
| More than one year, but not exceeding two years   | 15,525          | 18,653          |
| More than two years, but not exceeding five years | 44,098          | 46,937          |
| More than five years                              | 36,018          | 48,691          |
|   | <u>114,293</u>  | <u>192,112</u>  |

All of the banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise their discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 38(f). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached (2014: none).

The currencies analysis of borrowings of the Group as of the reporting period are as follows:

|      | <b>2015</b>     | <b>2014</b>     |
|------|-----------------|-----------------|
|      | <i>HK\$'000</i> | <i>HK\$'000</i> |
| HK\$ | 82,381          | 138,025         |
| USD  | 31,912          | 54,087          |
|      | <u>114,293</u>  | <u>192,112</u>  |

Included in the Group's borrowings as at 31 December 2015 are variable-rate borrowings of HK\$114,293,000 (2014: HK\$152,112,000), which carry interest at HIBOR or LIBOR plus certain basis points and thus are subject to cash flow interest rate risk. No fixed-rate borrowing was noted as at 31 December 2015. The Group's fixed-rate borrowing as at 31 December 2014 amounted to HK\$40,000,000 which is interest-bearing at 2.24% per annum.



The effective interest rates per annum at the end of the reporting period on the borrowings of the Group were as follows:

|                               | <i>HK\$</i> | <i>USD</i> |
|-------------------------------|-------------|------------|
| <b>As at 31 December 2015</b> |             |            |
| Variable-rate borrowings:     |             |            |
| Bank loans                    | 1.58%       | 1.33%      |
| <b>As at 31 December 2014</b> |             |            |
| Variable-rate borrowings:     |             |            |
| Bank loans                    | 1.74%       | 1.07%      |
| Fixed-rate borrowings:        |             |            |
| Bank loan                     | 2.24%       | —          |

The Group's borrowings are secured by certain investment properties and land and buildings as further details in note 31. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings as below:

|   | <b>2015</b>     | <b>2014</b>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Corporate guarantees given to banks and financial institutions in respect of banking facilities given to subsidiaries | 1,799,273       | 1,921,851       |

As at 31 December 2015, the banking facilities granted to subsidiaries subject to guarantees given to banks and financial institutions by the Company were utilised to the extent of HK\$75,282,000 (2014: HK\$163,008,000).

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

|      | <b>2015</b>     | <b>2014</b>     |
|------|-----------------|-----------------|
|      | <i>HK\$'000</i> | <i>HK\$'000</i> |
| HK\$ | 3,243           | 47,683          |

At the end of the reporting period, the Group has the following undrawn banking facilities:

|                          | <b>2015</b>     | <b>2014</b>     |
|--------------------------|-----------------|-----------------|
|                          | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Expiring within one year | 1,209,614       | 1,263,965       |

The facilities expiring within one year are annual facilities subject to review at various dates during 2016.

## 26. SHARE CAPITAL

|   | 2015                        |                 | 2014                        |                  |
|---|-----------------------------|-----------------|-----------------------------|------------------|
|   | <i>Number<br/>of shares</i> | <i>HK\$'000</i> | <i>Number<br/>of shares</i> | <i>HK\$'000</i>  |
| <b>Authorised</b>   |                             |                 |                             |                  |
| <b>Ordinary shares of HK\$0.2 each:</b>   |                             |                 |                             |                  |
| At 1 January  | —                           | —               | 500,000,000                 | 100,000          |
| The concept of authorised share capital was abolished on 3 March 2014 ( <i>note</i> ) | —                           | —               | (500,000,000)               | (100,000)        |
|   | <u>—</u>                    | <u>—</u>        | <u>(500,000,000)</u>        | <u>(100,000)</u> |
| At 31 December  | <u>—</u>                    | <u>—</u>        | <u>—</u>                    | <u>—</u>         |
| <b>Issued and fully paid:</b>   |                             |                 |                             |                  |
| At 1 January  | 261,684,910                 | 71,853          | 261,684,910                 | 52,337           |
| Transfer from share premium account on 3 March 2014 ( <i>note</i> )                   | —                           | —               | —                           | 19,516           |
|   | <u>—</u>                    | <u>—</u>        | <u>—</u>                    | <u>19,516</u>    |
| At 31 December  | <u>261,684,910</u>          | <u>71,853</u>   | <u>261,684,910</u>          | <u>71,853</u>    |

*Note:*

Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622 (the “New Companies Ordinance”), which commenced operation on 3 March 2014, the concept of “authorised share capital” and “par value” no longer exist. As part of the transition to no-par value regime, the amount standing to the credit of the share premium account on 3 March 2014 amounting to HK\$19,516,000 have become part of the Company’s share capital, under the transitional provisions set out in Schedule 11 of the New Companies Ordinance. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

### Share options

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or any invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity of the Company; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and

any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the “Limit”) must not in aggregate exceed 26,168,491 shares, representing 10% of the ordinary shares of the Company in issue as at the date of this annual report. The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in the 12-month period up to and including the date of such further grant in excess of this Limit is subject to shareholders’ approval in a general meeting.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is proposed to be a grantee. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, is subject to shareholders’ approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such a period shall not be more than 10 years from the date of offer of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the board of directors at its sole discretion, there is no requirement of minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options is determinable by the board of directors, but shall not be less than the highest of:

- (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of the share options which must be a trading day;

- (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and
- (iii) the nominal value of the Company's shares.

No share options have been granted under the Scheme since its adoption.

## 27. RESERVES

### The Group

The nature of reserves is as follows:

#### *Share premium*

Prior to 3 March 2014, the application of the share premium account was governed by s.48B of the Hong Kong Companies Ordinance, Cap. 32. In accordance with the transitional provisions set out in s.37 of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 any amount standing to the credit of the share premium account at the beginning of 3 March 2014 became part of the Company's share capital. The use of this share premium balance is governed by s.38 of Schedule 11 to the New Companies Ordinance.

#### *Exchange reserve*

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.11.

#### *Properties revaluation reserve*

Properties revaluation reserve represents gains or losses arising on the revaluation of properties (other than investment properties).

#### *Investment revaluation reserve*

Investment revaluation reserve represents gains or losses arising on remeasuring financial assets classified as available-for-sale financial assets at fair value.

**The Company**

Details of movements in the Company's reserves are as follows:

|   | <b>Share<br/>premium<br/>HK\$'000</b> | <b>Retained<br/>profits<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|---------------------------------------|--|---------------------------|
| At 1 January 2014   | 19,516                                | 504,416                                  | 523,932                   |
| Transfer upon abolition of<br>nominal value of shares on<br>3 March 2014 ( <i>note 26</i> ) | (19,516)                              | —  | (19,516)                  |
| Profit for the year   | —                                     | 5,932                                    | 5,932                     |
| 2013 final dividends ( <i>note 13</i> )   | —                                     | (26,168)                                 | (26,168)                  |
| At 31 December 2014 and<br>1 January 2015   | —                                     | 484,180                                  | 484,180                   |
| Profit for the year   | —                                     | 292,831                                  | 292,831                   |
| 2014 final dividends ( <i>note 13</i> )   | —                                     | (31,402)                                 | (31,402)                  |
| <b>At 31 December 2015</b>  | <b>—</b>                              | <b>745,609</b>                           | <b>745,609</b>            |

**28. DEFERRED TAXATION**

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the two years ended 31 December 2015 and 2014:

|   | <b>Accelerated<br/>tax<br/>depreciation<br/>HK\$'000</b> | <b>Revaluation of<br/>investment<br/>properties<br/>HK\$'000</b> | <b>Tax losses<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|--|--|--------------------------------|---------------------------|
| At 1 January 2014   | 10,382   | 45,785   | (209)                          | 55,958                    |
| Exchange realignment<br>Charged to profit or<br>loss ( <i>note 11</i> )               | (215)  | (1,176)  | —                              | (1,391)                   |
|   | <u>1,390</u>   | <u>6,997</u>   | <u>116</u>                     | <u>8,503</u>              |
| At 31 December 2014<br>and 1 January 2015   | 11,557   | 51,606   | (93)                           | 63,070                    |
| Exchange realignment<br>Charged/(Credited) to<br>profit or loss<br>( <i>note 11</i> ) | (487)  | (2,623)  | —                              | (3,110)                   |
|   | <u>1,630</u>   | <u>5,077</u>   | <u>(82)</u>                    | <u>6,625</u>              |
| <b>At 31 December 2015</b>  | <b><u>12,700</u></b>                                     | <b><u>54,060</u></b>   | <b><u>(175)</u></b>            | <b><u>66,585</u></b>      |

Represented by:

|                          | At<br>31 December<br>2015<br><i>HK\$'000</i> | At<br>31 December<br>2014<br><i>HK\$'000</i> |
|--------------------------|--|--|
| Deferred tax liabilities | 67,037                                       | 63,163                                       |
| Deferred tax assets      | (452)  | (93)   |
| Deferred taxation        | <u>66,585</u>                                | <u>63,070</u>                                |

As at 31 December 2015, the Group has unused tax losses of HK\$16,281,000 (2014: HK\$18,670,000) available for offset against future profits. A deferred tax asset of approximately HK\$452,000 (2014: HK\$93,000) has been recognised in respect of approximately HK\$2,739,000 (2014: HK\$565,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$13,542,000 (2014: HK\$18,105,000) due to the unpredictability of future profit streams. Losses amounting to HK\$2,228,000 (2014: HK\$1,094,000) will expire from 2016 to 2020 (2014: 2015 to 2019) and losses amounting to HK\$14,053,000 (2014: HK\$17,576,000) have no expiry date.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries amounting to HK\$1,406,000 (2014: HK\$2,061,000) as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such profits in foreseeable future.

## 29. OPERATING LEASE ARRANGEMENTS

### As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                                       | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Within one year                       | 2,570                   | 1,388                   |
| In the second to fifth year inclusive | 186                     | 39                      |
|                                       | <u>2,756</u>            | <u>1,427</u>            |

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases for these land and buildings are negotiated for terms of one to two (2014: one to two) years with fixed rentals.

#### As lessor

The Group leases its investment properties and at the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

|                                       | <b>2015</b>     | <b>2014</b>     |
|---------------------------------------|-----------------|-----------------|
|                                       | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within one year                       | 32,755          | 39,010          |
| In the second to fifth year inclusive | 61,633          | 66,312          |
| Over five years                       | 22,593          | 9,517           |
|                                       | <u>116,981</u>  | <u>114,839</u>  |

Leases are negotiated for an average term ranging from one to ten (2014: one to ten) years with fixed rentals over the terms of the leases.

### 30. RETIREMENT BENEFIT SCHEME

The Group participates in the Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

Employees who were members of a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme from 1 December 2000 onwards, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee’s monthly remunerations or HK\$1,500 (from 1 June 2012 to 31 May 2014: HK\$1,250) per month whichever is the smaller to the scheme.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to profit or loss of HK\$1,258,000 (2014: HK\$1,480,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

### 31. PLEDGE OF ASSETS

At 31 December 2015, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks and financial institutions to secure for borrowings and banking facilities:

|   | <b>2015</b>     | <b>2014</b>     |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Investment properties ( <i>note 14</i> )        | 798,850         | 844,502         |
| Leasehold land and buildings ( <i>note 15</i> ) | 40,804          | 41,280          |



## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|  | <i>Notes</i> | At<br>31 December<br>2015<br><i>HK\$'000</i> | At<br>31 December<br>2014<br><i>HK\$'000</i> |
|--|--------------|--|--|
| <b>Non-current assets</b>                                |              |  |  |
| Interests in subsidiaries                                | 33           | 108,436                                      | 108,436                                      |
| Deferred tax assets                                      |              | 2  | —  |
|  |              | <u>108,438</u>                               | <u>108,436</u>                               |
| <b>Current assets</b>                                    |              |  |  |
| Trade and other receivables, prepayments<br>and deposits |              | 388  | 1,072  |
| Amounts due from subsidiaries                            |              | 834,674                                      | 653,660                                      |
| Bank balances and cash                                   |              | 1,738  | 2,363  |
|  |              | <u>836,800</u>                               | <u>657,095</u>                               |
| <b>Current liabilities</b>                               |              |  |  |
| Other payables and accrued expenses                      |              | 6,568  | 4,538  |
| Amounts due to subsidiaries                              |              | 86,042                                       | 158,888                                      |
| Borrowings   |              | 9,761  | 10,921                                       |
| Tax payable  |              | 11   | 9  |
|  |              | <u>102,382</u>                               | <u>174,356</u>                               |
| <b>Net current assets</b>                                |              | <u>734,418</u>                               | <u>482,739</u>                               |
| <b>Total assets less current liabilities</b>             |              | <u>842,856</u>                               | <u>591,175</u>                               |
| <b>Non-current liabilities</b>                           |              |  |  |
| Borrowings   |              | 25,394                                       | 35,142                                       |
| <b>Net assets</b>  |              | <u>817,462</u>                               | <u>556,033</u>                               |
| <b>Capital and reserves</b>                              |              |  |  |
| Share capital  | 26           | 71,853                                       | 71,853                                       |
| Reserves   | 27           | 745,609                                      | 484,180                                      |
| <b>Total equity</b>                                      |              | <u>817,462</u>                               | <u>556,033</u>                               |

Approved and authorised for issue by the board of directors on 22 March 2016.

## 33. INTERESTS IN SUBSIDIARIES

|                                    | <b>2015</b>     | <b>2014</b>     |
|------------------------------------|-----------------|-----------------|
|                                    | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Unlisted shares, at cost           | 127,423         | 131,295         |
| Less: Impairment losses recognised | (18,987)        | (22,859)        |
|                                    | <u>108,436</u>  | <u>108,436</u>  |

As at 31 December 2015, the directors of the Company assessed the recoverable amount of the Company's interests in subsidiaries with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period. Based on the impairment assessment, no additional impairment loss has been recognised during the year (2014: nil) in respect of these investments.

Particulars of the subsidiaries at 31 December 2015 and 2014 are as follows:

| Name of company                       | Place/Country of incorporation/<br>operations | Issued share capital                 | Percentage of issued share capital held by the Company |      | Principal activities |
|---------------------------------------|---|--------------------------------------|--|------|----------------------|
|                                       |   |                                      | 2015   | 2014 |                      |
| Held directly:                        |   |                                      |  |      |                      |
| Adamgate Limited                      | British Virgin Islands                        | 1 ordinary share of US\$1            | 100%   | 100% | Investment holding   |
| Dajen Properties Limited              | British Virgin Islands                        | 1 ordinary share of US\$1            | 100%   | 100% | Investment holding   |
| Datong Global Holdings Limited        | British Virgin Islands                        | 1 ordinary share of US\$1            | 100%   | —    | Investment holding   |
| G.C. Luckmate Trading (China) Limited | Hong Kong                                     | Ordinary shares of HK\$2             | 100%   | 100% | Animal feed trading  |
| G C Nominees Limited                  | Hong Kong                                     | Ordinary shares of HK\$100           | 100%   | 100% | Investment holding   |
| Halesite Limited                      | Hong Kong                                     | Ordinary shares of HK\$4,000,000     | 100%   | 100% | Property investment  |
| Poppins Properties Limited            | British Virgin Islands                        | 55,603 ordinary shares of US\$1 each | 100%   | 100% | Investment holding   |
| Sunison Development Limited           | Hong Kong                                     | Ordinary shares of HK\$100           | 100%   | 100% | Investment holding   |
| Tai Loy Trading Company Limited       | Hong Kong                                     | Ordinary shares of HK\$43,344,000    | 100%   | 100% | Investment holding   |
| Treasure Jubilee Limited              | British Virgin Islands                        | 1 ordinary share of US\$1 each       | 100%   | 100% | Investment holding   |

| Name of company                                       | Place/Country of incorporation/<br>operations | Issued share capital   | Percentage of issued share capital held by the Company |      | Principal activities                   |
|---|---|--|--|------|--|
|   |   |  | 2015   | 2014 |  |
| Xingao Limited  | British Virgin Islands                        | 1 ordinary share of US\$1 each   | 100%   | —    | Investment holding                     |
| Held indirectly:                                      |   |  |  |      |  |
| Capital Head Investment Limited                       | Hong Kong                                     | Ordinary shares of HK\$2   | 100%   | 100% | Property investment in Shanghai, China |
| Concord Trinity Development Limited                   | Hong Kong                                     | Ordinary shares of HK\$2 and non-voting deferred shares of HK\$2 ( <i>note</i> ) | 100%   | 100% | Property investment in Shanghai, China |
| G.C. Luckmate Trading Limited                         | Hong Kong                                     | Ordinary shares of HK\$4,000,000   | 100%   | 100% | Animal feed trading                    |
| G.C. Luckmate Trading (Asia) Limited                  | Hong Kong                                     | Ordinary shares of HK\$2   | 100%   | 100% | Animal feed trading                    |
| G.C. Luckmate Trading (International) Limited         | Hong Kong                                     | Ordinary shares of HK\$2   | 100%   | 100% | Animal feed trading                    |
| Glory South Investment Limited                        | Hong Kong                                     | Ordinary shares of HK\$2   | 100%   | 100% | Property investment                    |
| Great China Commodities Limited                       | British Virgin Islands                        | 10,000 ordinary shares of US\$1 each   | 100%   | 100% | Investment holding                     |
| Haode Property Management (Shanghai) Company Limited* | PRC   | Registered capital of US\$500,000  | 100%   | 100% | Real estate agent in Shanghai, China   |
| Honour Alliance Development Limited                   | Hong Kong                                     | Ordinary shares of HK\$100   | 100%   | 100% | Property investment                    |
| Jasmine Ocean Limited                                 | British Virgin Islands                        | 1 ordinary share of US\$1  | 100%   | 100% | Ship chartering                        |
| Jelson Enterprises Limited                            | Hong Kong                                     | Ordinary shares of HK\$2 and non-voting deferred shares of HK\$2 ( <i>note</i> ) | 100%   | 100% | Property investment in Shanghai, China |
| Morning Sky Holdings Limited                          | British Virgin Islands                        | 1 ordinary share of US\$1  | 100%   | 100% | Investment holding                     |
| Silver Regent Development Limited                     | Hong Kong                                     | Ordinary shares of HK\$100   | 100%   | 100% | Property investment                    |

| Name of company                   | Place/Country of incorporation/<br>operations | Issued share capital                | Percentage of issued share capital held by the Company |      | Principal activities                   |
|-----------------------------------|---|-------------------------------------|--|------|--|
|                                   |   |                                     | 2015   | 2014 |  |
| 上海裕景貿易有限公司*                       | PRC   | Registered capital of RMB3,000,000  | 100%   | 100% | Animal feed trading                    |
| 博平置業(上海)有限公司*                     | PRC   | Registered capital of US\$8,460,000 | 100%   | 100% | Property investment in Shanghai, China |
| Shanghai Zenith Trading Co., Ltd* | PRC   | Registered capital of US\$150,000   | 100%   | 100% | Animal feed trading                    |

\* A wholly foreign owned enterprise

*Note:* The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year (2014: nil).

### 34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

Key management compensation, representing directors' remuneration

|   | 2015            | 2014            |
|---|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Fees  | 720             | 720             |
| Salaries and other benefits                           | 9,754           | 13,303          |
| Retirement benefit costs — defined contribution plans | 44              | 51              |
|   | <u>10,518</u>   | <u>14,074</u>   |

**35. CAPITAL COMMITMENTS**

|  | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Commitments for the acquisition of property, plant and equipment | <u>462</u>                     | <u>—</u>                       |

**36. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and retained profits as disclosed in note 27 and consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The capital-to-overall financing ratio at reporting date was as follows:

|                                    | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|------------------------------------|--------------------------------|--------------------------------|
| <b>Capital</b>                     |                                |                                |
| Total equity                       | <u>1,535,565</u>               | <u>1,594,488</u>               |
| <b>Overall financing</b>           |                                |                                |
| Borrowings                         | <u>114,293</u>                 | <u>192,112</u>                 |
| Capital-to-overall financing ratio | <u>13.44</u>                   | <u>8.30</u>                    |

The Group's overall strategy remains unchanged from that of 2014.

### 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and financial liabilities:

|   | 2015<br><i>HK\$'000</i> | 2014<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Financial assets</b>   |                         |                         |
| Financial assets at fair value through profit or loss             |                         |                         |
| — Held for trading  | 198,772                 | 163,082                 |
| Loans and receivables (including bank deposits and cash at banks) | 450,334                 | 647,383                 |
| Available-for-sale financial assets                               | <u>39,726</u>           | <u>12,397</u>           |
| <b>Financial liabilities</b>                                      |                         |                         |
| Financial liabilities at amortised cost                           | <u>196,572</u>          | <u>308,991</u>          |

#### (a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and other receivables, bank deposits, bank balances and cash, trade and bills payables, other payables and accrued expenses, rental deposits received and borrowings.

Due to their short-term nature, the carrying values of the above financial instruments excluding those borrowings and rental deposits received which are classified as non-current liabilities approximate their fair values.

The fair values of those borrowings and rental deposits received which are classified as non-current liabilities have been determined by using discounted cash flow models and is classified as Level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group as well as the borrowers. In the opinion of the directors, the carrying values of the Group's borrowings and rental deposits received which are classified as non-current liabilities approximate their fair values.

**(b) Financial instruments measured at fair value**

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The fair value of these financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets including OTC are determined with reference to quoted market prices;
- the fair value of derivative financial instruments which are not quoted in active market are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using inputs from observable current market transactions and dealer quotes for similar instruments;
- the fair value of interest rate swap contracts is calculated at the present value of the estimated future cash flows based on observed yield curves.

The following table provides an analysis of financial instruments that are measured subsequently to initial recognition at fair value by level of hierarchy:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

|  | <b>31 December 2015</b> |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | <b>Level 1</b>          | <b>Level 2</b>    | <b>Total</b>      |
|  | <i>HK\$'000</i>         | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
| <b>Available-for-sale financial assets</b>                   |                         |                   |                   |
| — Club debentures  | —                       | 1,896             | 1,896             |
|  | <u>          </u>       | <u>          </u> | <u>          </u> |
| <b>Financial assets at fair value through profit or loss</b> |                         |                   |                   |
| — Listed debt securities                                     | 198,772                 | —                 | 198,772           |
|  | <u>          </u>       | <u>          </u> | <u>          </u> |

|  | 31 December 2014    |                     | Total<br>HK\$'000 |
|--|---------------------|---------------------|-------------------|
|  | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 |                   |
| <b>Available-for-sale financial assets</b>                   |                     |                     |                   |
| — Club debentures  | —                   | 1,867               | 1,867             |
| <b>Financial assets at fair value through profit or loss</b> |                     |                     |                   |
| — Listed equity securities                                   | 362                 | —                   | 362               |
| — Listed debt securities                                     | 162,682             | —                   | 162,682           |
| — Derivative financial assets                                | —                   | 38                  | 38                |
|  | <u>163,044</u>      | <u>38</u>           | <u>163,082</u>    |

There were no transfer between Level 1, Level 2 and Level 3 during the year.

### 38. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk management objectives

The management monitors and manages the financial risks arising from financial instruments entered into in the normal course of operations and in its investment activities through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

#### (b) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases as well as investments denominated in foreign currencies, which expose the Group to foreign currency risk.

##### (i) *Non-derivative foreign currency monetary assets and monetary liabilities*

Certain bills receivables, investment in equity and debt securities, bank balances, other payables and borrowings of the Group are denominated in currencies other than the functional currency of the group entities. The currencies giving rise to this risk mainly include HK\$, USD and RMB. As HK\$ is pegged to USD, exposure in respect of these currencies is considered insignificant. The



carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in net position (excluding HK\$ and USD) at the reporting date are as follows:

|                     | <b>2015</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> |
|---------------------|--------------------------------|--------------------------------|
| Net monetary assets |                                |                                |
| RMB                 | <u>15</u>                      | <u>6,520</u>                   |

*Foreign currency sensitivity*

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2014: 5%) change in foreign currency rates.

|   | <b>Decrease in profit for the year</b> |                                |
|---|--|--------------------------------|
|   | <b>2015</b><br><i>HK\$'000</i>         | <b>2014</b><br><i>HK\$'000</i> |
| Functional currency appreciated by 5%<br>(2014: 5%) |  |                                |
| RMB   | <u>1</u>                               | <u>272</u>                     |

A 5% (2014: 5%) depreciation in the functional currencies of the respective group companies against respective foreign currencies would have the same magnitude on profit but of opposite effect.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

**(ii) Embedded derivatives in structured bank deposits**

The Group is also required to estimate the fair value of the embedded derivatives in structured bank deposits at the end of the reporting period, which therefore exposed the Group to foreign currency risk. However, the directors of the Company consider that the fair value of the embedded derivatives is minimal and hence no sensitivity analysis is presented.

**(c) Interest rate risk*****(i) Non-derivative financial assets and financial liabilities***

The Group is exposed to fair value interest rate risk in relation to interest-free balances including fixed-rate restricted bank deposit, structured bank deposits and borrowings.

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings (note 25) and bank balances.

The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate.

***Interest rate sensitivity***

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable-rate instruments including borrowings at the end of the reporting period, assuming the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 (2014: 50) basis point increase and a 10 (2014: 10) basis points decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 (2014: 50) basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease by HK\$477,000 (2014: HK\$635,000). If interest rates had been 10 (2014: 10) basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase by HK\$95,000 (2014: HK\$127,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

***(ii) Derivative financial assets — cross currency interest rate swap arrangements***

The management considers the exposure of this instrument to interest rate risk to be minimal.

**(d) Other price risk**

The Group is required to estimate the fair value of those available-for-sale financial assets carried at fair value, representing club debentures as well as the financial assets at fair value through profit or loss, representing listed or traded on OTC equity and debt securities at the end of the reporting period. Therefore, the Group is exposed to price risk arising from its available-for-sale financial assets and financial assets at fair value through profit or loss.

*Price sensitivity*

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the prices of the club debentures and listed equity and debt securities had been 10% (2014: 10%) higher while all other variables were held constant, investment revaluation reserve would increase by HK\$178,000 (2014: HK\$175,000) and profit for the year would increase by HK\$19,889,000 (2014: HK\$16,316,000) mainly as a result of increase in the fair value on available-for-sale financial assets as well as financial assets at fair value through profit or loss and impairment loss, taking into account reversal of impairment made for available-for-sale financial assets.

If the prices of the above instruments had been 10% (2014:10%) lower while all other variables were held constant, the magnitude of the impact on investment revaluation reserve and profit for the year would be the same but of opposite effect.

**(e) Credit risk**

As at 31 December 2015, the Group's credit risk exposure which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties mainly arise from the respective recognised financial assets as stated in the consolidated statement of financial position.

In respect of trade and bills receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers.

The Group has adopted a policy of only dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by credit limit allowed to counterparty that are reviewed and approved by the risk management committee annually.

The credit risk on bank balances and derivative financial instruments is limited because the counterparties are banks and financial institutions with good reputation. Investment in debt or equity securities are mainly listed or traded on recognised stock exchange. Accordingly, the directors do not expect any investment counterparty to fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2014: 100%) of the total trade and bills receivables as at 31 December 2015.

As at 31 December 2015, the maximum exposure to credit risk in respect of financial guarantees issued by the Company to secure for the facilities utilised by the subsidiaries at the end of the reporting period was HK\$75,282,000 (2014: HK\$163,008,000) which represented the maximum amount the Company could be required to pay if the guarantees were called on. Details of the financial guarantees issued by the Company to its subsidiaries are disclosed in note 25.

**(f) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and undrawn borrowing facilities by continuously monitoring forecast and actual cash flows. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised overdraft and short-term bank and other loan facilities of approximately HK\$1,209,614,000 (2014: HK\$1,263,965,000). Details of borrowings are set out in note 25.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment dates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks and financial institutions choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The following tables also detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that required gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

|   | On demand<br>or less than<br>60 days<br>HK\$'000 | 61-180 days<br>HK\$'000 | 181-365 days<br>HK\$'000 | 1-2 years<br>HK\$'000 | 2-3 years<br>HK\$'000 | Over 3 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amount<br>HK\$'000 |
|---|--|-------------------------|--------------------------|-----------------------|-----------------------|--------------------------|---|--------------------------------|
| <b>31 December 2015</b>                     |  |                         |                          |                       |                       |                          |   |                                |
| <b>Non-derivative financial liabilities</b> |  |                         |                          |                       |                       |                          |   |                                |
| Trade and bills payables                    | 42,764   | —                       | —                        | —                     | —                     | —                        | 42,764  | 42,764                         |
| Other payables and accrued expense          | 31,141   | —                       | —                        | —                     | —                     | —                        | 31,141  | 31,141                         |
| Borrowings                                  | 3,613  | 7,211                   | 9,584                    | 17,019                | 16,885                | 67,836                   | 122,148   | 114,293                        |
| Rental deposits received                    | 155  | 1,915                   | 1,155                    | 3,380                 | —                     | 1,769                    | 8,374   | 8,374                          |
|   | <u>77,673</u>                                    | <u>9,126</u>            | <u>10,739</u>            | <u>20,399</u>         | <u>16,885</u>         | <u>69,605</u>            | <u>204,427</u>                                  | <u>196,572</u>                 |
| <b>31 December 2014</b>                     |  |                         |                          |                       |                       |                          |   |                                |
| <b>Non-derivative financial liabilities</b> |  |                         |                          |                       |                       |                          |   |                                |
| Trade and bills payables                    | 73,192   | —                       | —                        | —                     | —                     | —                        | 73,192  | 73,192                         |
| Other payables and accrued expenses         | 34,577   | —                       | —                        | —                     | —                     | —                        | 34,577  | 34,577                         |
| Borrowings                                  | 59,782   | 8,067                   | 12,065                   | 20,403                | 17,018                | 84,797                   | 202,132   | 192,112                        |
| Rental deposits received                    | 34   | 492                     | 711                      | 3,237                 | 2,779                 | 1,857                    | 9,110   | 9,110                          |
|   | <u>167,585</u>                                   | <u>8,559</u>            | <u>12,776</u>            | <u>23,640</u>         | <u>19,797</u>         | <u>86,654</u>            | <u>319,011</u>                                  | <u>308,991</u>                 |
| <b>Derivative — gross settlement</b>        |  |                         |                          |                       |                       |                          |   |                                |
| — Inflow                                    | (38)   | —                       | —                        | —                     | —                     | —                        | (38)  |                                |
| — outflow                                   | —  | —                       | —                        | —                     | —                     | —                        | —   |                                |
|   | <u>(38)</u>                                      | <u>—</u>                | <u>—</u>                 | <u>—</u>              | <u>—</u>              | <u>—</u>                 | <u>(38)</u>                                     | <u>(38)</u>                    |

None of the Group's borrowings as at 31 December 2015 and 31 December 2014 are repayable on demand.

The amounts included above for variable-interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable-interest rates differ to those estimates of interest rates determined at the end of the reporting.

**39. EVENTS AFTER THE REPORTING DATE**

- (i) On 21 January 2016, Fulcrest, which holds 138,347,288 shares of the Company, representing approximately 52.87% of the issued share capital of the Company (referred to as “Sale Shares”), and Hopevision Group Ltd. (the “Offeror”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which Fulcrest conditionally agreed to sell and Hopevision Group Ltd. conditionally agreed to acquire the Sale Shares for a consideration of approximately HK\$552,998,120. This transaction is subject to approval by independent shareholders at an extraordinary general meeting.
- (ii) On 21 January 2016, the Company and Fulcrest entered into a disposal agreement (the “Disposal”), pursuant to which the Company conditionally agreed to sell, and Fulcrest conditionally agreed to purchase (i) the entire issued share capital of Datong Global Holdings Limited and Xingao Limited and their subsidiaries (collectively referred to as the “Disposal Group”) and (ii) a disposal loan of approximately HK\$260,000,000, being part of the amount due by the Disposal Group to the Company and its remaining subsidiaries as at 21 January 2016, for a consideration of HK\$942,247,000 (subject to adjustment), which constitutes a very substantial disposal, connected transaction and special deal for the Company and is subject to approval by independent shareholders at an extraordinary general meeting. The principal activities of the Disposal Group include (i) leasing of properties in Hong Kong; (ii) provision of agency services; and (iii) trading of fishmeal products.
- (iii) On 21 January 2016, a wholly-owned subsidiary of the Company as lessor and a wholly-owned subsidiary of the Disposal Group as lessee entered into a lease agreement in respect of the lease of a property in Shanghai for a period of six months commencing from the Disposal completion date for a monthly rent of RMB27,400, which constitutes an exempted continuing connected transaction under the Listing Rules and a special deal under the Takeovers Code and shall subject to approval by independent shareholders at an extraordinary general meeting.
- (iv) In the meeting held on 20 January 2016, the directors have proposed a first special dividend of not less than HK\$1.147 per share, totalling not less than HK\$300 million, and a second special dividend of not less than HK\$2.293 per share, totalling not less than HK\$600 million. The first and second special dividends are subject to the approval of independent shareholders as well as the approval of the relevant resolution(s) in relation to, among others, the Sale and Purchase Agreement, the Disposal and the lease agreement by the independent shareholders at an extraordinary general meeting. Details of the first and second special dividend payout dates will be further announced by the Company.

- (v) Immediately upon completion of the acquisition of Sale Shares by the Offeror from Fulcrest (the “Sale and Purchase Completion”), assuming no other changes to the issued share capital of the Company, the Offeror and parties acting in concert with it will be interested in a total of 138,347,288 Shares, representing approximately 52.87% of the issued share capital of the Company. As such, the Offeror will be required to make an unconditional mandatory cash general offer for all the issued shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (the “Offer Shares”) pursuant to Rule 26.1 of the Takeovers Code. Based on information available, the Offer Shares represents approximately 47.13% of the issued share capital of the Company.

Subject to and upon the Sale and Purchase Completion, CCB International Capital Limited, on behalf of the Offeror and in compliance with the Takeovers Code, will make the share offer to acquire all the Offer Shares at HK\$3.998 for every Offer Share held (the “Share Offer Price”) and on the terms to be set out in the offer document to be issued in accordance with the Takeovers Code. The Share Offer Price is not less than the consideration per Sale Share under the Sale and Purchase Agreement which was arrived at after arm’s length negotiations between the Offeror and Fulcrest.

On the basis that the Offeror and parties acting in concert with it will own approximately 138,347,288 Shares immediately after the Sale and Purchase Completion, the total consideration of the Offer Shares would be HK\$493,103,813 based on the Share Offer Price and 123,337,622 shares under the share offer, which will be the maximum amount payable by the Offeror under the share offer in the event that the share offer is accepted in full.

It is intended that following the closing of the share offer, the Company will maintain its listing on the Main Board of the Stock Exchange.

Details of the sale and purchase of the Sale Shares, the Disposal, the special dividends, the lease extension and the possible unconditional mandatory cash general offer, together with other relevant information, are set out in the Company’s announcement dated 4 February 2016. The circular setting out additional information on the aforesaid transactions, including, among others, the advice of an independent financial adviser, the recommendation of the independent board committee and a notice convening the extraordinary general meeting, shall be despatched to the shareholders of the Company on or before 31 May 2016.

**III. INDEBTEDNESS STATEMENT****Statement of Indebtedness**

The Sale and Purchase Completion and the Disposal Completion took place simultaneously on 15 June 2016. Upon the Sale and Purchase Completion and the Disposal Completion on 15 June 2016, the Directors confirmed that the Remaining Group did not have any outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, or hire purchase of financial lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

**IV. MATERIAL CHANGE**

Save for the Disposal, the distribution of the First Special Dividend and the Second Special Dividend, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2015, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.



*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this Composite Document received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 March 2016 of the Properties.*



**Asset Appraisal Limited**  
**中誠達資產評值顧問有限公司**

Rm 901 9/F On Hong Commercial Building  
No.145 Hennessy Road Wanchai HK  
香港灣仔軒尼詩道145號安康商業大廈9樓901室  
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22 June 2016

**The Board of Directors**  
**Great China Holdings Limited**  
Unit D, 26th Floor  
United Centre  
No. 95 Queensway  
Hong Kong

Dear Sirs,

**Re: Valuation of Various Properties situated in the People's Republic of China (the "PRC")**

In accordance with the instructions from Great China Holdings Limited (the "**Company**") to value the Properties (the "**Properties**") held by the Company or its subsidiary (hereinafter together referred to as the "**Group**") in the PRC, we confirm that we have inspected the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 31 March 2016 (the "**Valuation Date**").

#### **BASIS OF VALUATION**

Our valuation of the Properties represents its market value, which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors, is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion".

#### **TITLESHIP**

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect their ownership.

We have also relied upon the legal opinion dated 5 April 2016 provided by the PRC legal advisers, namely Llinks Law Offices (通力律師事務所) (the “**PRC Legal Opinion**”), to the Company on the relevant laws and regulations in the PRC, on the nature of the owner’s land use rights in the Properties. Its material content has been summarized in the valuation certificate attached herewith.

### **VALUATION METHODOLOGY**

For the Properties held by the Group for investment, for sale or for owner occupation are in the nature of strata title commercial units, residential units or car parking spaces within completed buildings, we have used the Direct Comparison Approach where comparison based on prices realized or market price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at the valuation. For those portions of the Properties held by the Group for investment under Group I (i.e. properties held by the Group for the purpose of generating rental income) that were subject to existing tenancies as at the Valuation Date, we have used the Investment Approach based on summation of the values of their term and reversion interests where their respective values of term and interests have been determined by capitalisation of rental incomes derived from the existing tenancies and the values of the reversion interests have been reflected by the present values of the market values on vacant possession basis.

### **ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

For the Properties held by the owner by means of long term Land Use Rights granted by the PRC Government, the PRC legal advisers have confirmed that the owner has free and uninterrupted rights to use the Properties for the whole of the respective unexpired terms of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

### **LIMITING CONDITIONS**

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

We have relied to a very considerable extent on the information given by the Company or the Target Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were inspected on between 4 April 2016 and 8 April 2016 by ZHOU Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of ground conditions or the services for any property development of the Properties. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have been advised by the Group that the potential tax liabilities for disposing the Properties include Land Appreciation Tax (LAT) at progressive tax rates from 30% to 60%, Value-Added Tax (VAT) at 11% of sales consideration (subject to deduction of VAT levied on costs of goods sold, if any) and Income Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the relevant properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal of relevant properties upon presentation of the relevant transaction documents. For the properties held for investment and owner occupation under Group I and III, the likelihood of the relevant tax liabilities (arising from the disposal of the Properties at consideration equal to the valuation amount) being crystallized is remote as the Group has no detail planning for the disposal of such properties yet. For the properties under Group II, as advised by the Group, they will be sold in due course. Therefore, the likelihood of the relevant tax liabilities being crystallized is high.

In valuing the Properties, we have complied with all the requirements contained in Rule 11 of the Codes on Takeovers and Mergers issued by the Securities and Futures Commission, Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors. We have met

the requirements of an “independent valuer” as defined in Appendix 1.1 of the HKIS Valuation Standards (2012 Edition) and the requirements of the Listing Rules and, in addition, have no material connection with other parties to the Share Offer.

All market values of the Properties are denominated in Renminbi (RMB).

Our summary of valuation and valuation certificates are attached herewith.

Yours faithfully,  
for and on behalf of  
**Asset Appraisal Limited**

**Tse Wai Leung**  
*MFin MRICS MHKIS RPS(GP)*  
*Director*

*Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years’ experience in valuation of Property in Hong Kong, in Macau and in the PRC.*

## SUMMARY OF VALUATION

| Property  | Market value in<br>existing state as at<br>31 March 2016<br><i>RMB</i> | Interest attributable<br>to the Company as at<br>31 March 2016<br>% | Value of property<br>interest attributable<br>to the Company as at<br>31 March 2016<br><i>RMB</i> |
|---|--|---|---|
| <b>Group I — Property interests held by the Group in the PRC for Investment</b>   |  |   |   |
| 1. Apartment Nos. 404, 504,<br>604, 704 and 804,<br>Block No. 2,<br>Kingswell Garden,<br>Lane 3887 Hong Mei Road,<br>Changning District,<br>Shanghai,<br>the PRC.   | 35,400,000   | 100%  | 35,400,000  |
| 2. Shopping Arcade on 1st Level<br>(ground floor) of Block No. 1,<br>Kingswell Garden,<br>Lane 3887 Hong Mei Road,<br>Changning District,<br>Shanghai,<br>the PRC.  | 86,900,000   | 100%  | 86,900,000  |
| 3. Commercial floor on Level 2<br>and 3, Club House on Level 4<br>and Car Parking Space Nos. 38,<br>39, 40, 41 and 60 on Basement<br>of Block No. 1,<br>Kingswell Garden,<br>Lane 3887 Hong Mei Road,<br>Changning District,<br>Shanghai,<br>the PRC. | 129,800,000  | 100%  | 129,800,000   |
| 4. Western Portion of Level 1,<br>Merry Tower,<br>No. 396 Yanan Road West and<br>No. 168 Zhenning Road<br>Jingan District,<br>Shanghai,<br>the PRC.   | 37,500,000   | 100%  | 37,500,000  |
| 5. Western Portion of Level 2,<br>Merry Tower,<br>No. 396 Yanan Road West and<br>No. 168 Zhenning Road<br>Jingan District,<br>Shanghai,<br>the PRC.   | 64,600,000   | 100%  | 64,600,000  |

| Property  | Market value in<br>existing state as at<br>31 March 2016<br><i>RMB</i> | Interest attributable<br>to the Company as at<br>31 March 2016<br>% | Value of property<br>interest attributable<br>to the Company as at<br>31 March 2016<br><i>RMB</i> |
|---|--|---|---|
| 6. Western Portion of Level 3,<br>Merry Tower,<br>No. 396 Yanan Road West and<br>No. 168 Zhenning Road<br>Jingan District,<br>Shanghai,<br>the PRC.                         | 32,400,000   | 100%  | 32,400,000  |
| 7. Western Portion of Basement<br>Level 1 to 3,<br>Merry Tower,<br>No. 396 Yanan Road West and<br>No. 168 Zhenning Road<br>Jingan District,<br>Shanghai,<br>the PRC.        | 19,500,000   | 100%  | 19,500,000  |
| <b>Group II — Property interests held by the Group in the PRC for Sale</b>  |  |   |   |
| 8. Apartment G on 12th Floor,<br>Block 5,<br>Silver Valley Garden,<br>Haikou,<br>Hainan,<br>the PRC.  | 630,000  | 100%  | 630,000   |
| 9. Units 14C, 17A, 17D, 23D, 23E,<br>27C, 27D and 27E,<br>Merry Tower,<br>No. 396 Yanan Road West and<br>No. 168 Zhenning Road<br>Jingan District,<br>Shanghai,<br>the PRC. | 56,200,000   | 100%  | 56,200,000  |
| <b>Group III — Property interests held by the Group in the PRC for Owner Occupation</b>   |  |   |   |
| 10. Units 6D and 6E,<br>Merry Tower,<br>No. 396 Yanan Road West and<br>No. 168 Zhenning Road<br>Jingan District,<br>Shanghai,<br>the PRC.                                   | 16,100,000   | 100%  | 16,100,000  |
| <b>Total:</b>   |  |   | <b>RMB479,030,000</b>   |

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property   | Description and tenure   | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |
|--|--|--|--|
| 1. Apartment Nos. 404, 504, 604, 704 and 804, Block No. 2, Kingswell Garden, Lane 3887 Hong Mei Road, Changning District, Shanghai, the PRC.<br><br>(上海市長寧區虹梅路3887弄2號君悅花園404、504、604、704及804室) | The property comprises 5 residential units on 4th to 8th floor within a 8-storey residential building completed in about 1996.<br><br>The gross floor area (GFA) of the property is summarized as follows: | The property is subject to 5 tenancies for terms expiring on between 31 July 2016 and 14 September 2017 at a total monthly rent of RMB68,000 inclusive of management fee and property leasing tax. | 35,400,000   |
|  | <b>Room</b>  | <b>GFA</b><br>(sq.m.)  |  |
|  | 404  | 202.59   |  |
|  | 504  | 202.59   |  |
|  | 604  | 202.59   |  |
|  | 704  | 202.59   |  |
|  | 804  | 202.59   |  |
|  | <b>Total:</b>  | <b><u>1,012.95</u></b>   |  |
|  | The land use rights of the property are held for a term commencing on 10 October 1996 and expiring on 4 June 2065 for residential use.   |  |  |

## Notes:

- Pursuant to 5 sets of Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Shi Zi (1996) Nos. 002159 to 002163, 滬房地市字(1996)第002159至002163號) all dated 16 December 1996, the property with a total gross floor area of 1,012.95 square metres is held by Capital Head Investment Limited (加凱投資有限公司), an indirectly wholly-owned subsidiary of the Group, for a land use rights term commencing on 10 October 1996 and expiring on 4 June 2065 for residential use.
- Pursuant to a Maximum Mortgage Agreement dated 22 June 2009, the property is subject to a mortgage in favour of CITIC Ka Wah Bank Limited (中信嘉華銀行有限公司) for a term commencing on 26 June 2008 and expiring on 25 June 2018. As advised by the Company, all the outstanding amount has been fully settled as at the Valuation Date.
- The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Shanghai Certificate of Real Estate Ownership : Yes

4. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
5. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Capital Head Investment Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. The property is subject to a mortgage in favour of CITIC Ka Wah Bank Limited.
  - iii. Subject to the mortgagee's rights, Capital Head Investment Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.



## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property   | Description and tenure  | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |
|--|---|--|--|
| 2. Shopping Arcade on 1st Level (ground floor) of Block No. 1, Kingswell Garden, Lane 3887 Hong Mei Road, Changning District, Shanghai, the PRC.<br><br>(上海市長寧區虹梅路3887弄1號君悅花園一層) | The property comprise the whole 1st floor within a 4-storey commercial building plus a basement completed in about 1997.<br><br>The property has a gross floor area of approximately 1,550.10 square metre.<br><br>The land use rights of the property are held for a term commencing on 16 April 1998 and expiring on 4 June 2065 for residential use. | The property is subject to a tenancy for a term of 9 years commencing on 31 May 2010 and expiring on 30 May 2019 at a current monthly rent of RMB363,046.34 exclusive of management fee and other outgoings. | 86,900,000   |

*Notes:*

- Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Shi Zi (1998) No. 002046, 滬房地市字(1998)第002046號) dated 22 May 1998, the property with a total gross floor area of 1,550.10 square metres is held by Concord Trinity Development Limited (和志發展有限公司), an indirectly wholly-owned subsidiary of the Group, for a land use rights term commencing on 16 April 1998 and expiring on 4 June 2065 for residential use. As mentioned in the Shanghai Certificate of Real Estate Ownership, the permitted use of the property is shopping arcade.
- Pursuant to a Mortgage Contract for Real Estate dated 16 April 2008, the property (together with Property No. 10 herein) is subject to a mortgage in favour of Hang Seng Bank Limited for a term commencing on 21 May 2008 and expiring on 20 May 2020 for a loan amount of US\$3,830,000. As advised by the Company, the outstanding amount as at the Valuation Date is US\$1,281,823.12.
- Pursuant to a Second Maximum Mortgage Agreement dated 25 May 2009 and a Third Maximum Mortgage Contract for Real Estate dated 15 June 2010, the property (together with Property No. 10 herein) is subject to a mortgage in favour of Hang Seng Bank (China) Limited Shanghai Branch (恒生銀行(中國)有限公司上海分行) for a term expiring on either 25 May 2019 or 27 April 2017. As confirmed by the Company, the second maximum mortgage has been paid off as at the Valuation Date.
- The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
- No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.

6. The opinion from the PRC legal adviser of the Company on the property is as follows:
- i. Concord Trinity Development Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. The property is subject to mortgages in favour of Hang Seng Bank Limited and Hang Seng Bank (China) Limited Shanghai Branch
  - iii. Subject to the mortgagee's rights, Concord Trinity Development Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property      | Description and tenure  | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |                |   |          |   |          |   |          |          |               |               |                               |   |             |
|---------------|---|--|--|----------------|---|----------|---|----------|---|----------|----------|---------------|---------------|-------------------------------|---|-------------|
| 3             | Commercial floor on Level 2 and 3, Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement of Block No. 1, Kingswell Garden, Lane 3887 Hong Mei Road, Changning District, Shanghai, the PRC.<br><br>(上海市長寧區虹梅路3887弄1號君悅花園二層、三層、四層會所及地下一層38、39、40、41、60號車位) | The property comprise the whole 2nd to 4th floor and 5 car parking spaces in the basement within a 4-storey commercial building plus a basement completed in about 1997.<br><br>The gross floor area (GFA) of the property is summarized as follows:<br><br><table border="1" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Level</th> <th style="text-align: right;">GFA<br/>(sq.m.)</th> </tr> </thead> <tbody> <tr> <td>2</td> <td style="text-align: right;">2,253.81</td> </tr> <tr> <td>3</td> <td style="text-align: right;">1,530.51</td> </tr> <tr> <td>4</td> <td style="text-align: right;">1,018.01</td> </tr> <tr> <td>Basement</td> <td style="text-align: right;"><u>160.80</u></td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b><u><u>4,963.13</u></u></b></td> </tr> </tbody> </table> | Level  | GFA<br>(sq.m.) | 2 | 2,253.81 | 3 | 1,530.51 | 4 | 1,018.01 | Basement | <u>160.80</u> | <b>Total:</b> | <b><u><u>4,963.13</u></u></b> | Level 2 to 4 of the property with a gross floor area of 4,802.33 square metres is subject to a tenancy for a term of 10 years commencing on 10 May 2007 and expiring on 9 May 2017 at a current monthly rent of RMB565,294 exclusive of management fee and other outgoings. | 129,800,000 |
| Level         | GFA<br>(sq.m.)  |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |
| 2             | 2,253.81  |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |
| 3             | 1,530.51  |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |
| 4             | 1,018.01  |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |
| Basement      | <u>160.80</u>   |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |
| <b>Total:</b> | <b><u><u>4,963.13</u></u></b>   |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |
|               | The land use rights of the property are held for a term commencing on 16 April 1998 and expiring on 4 June 2065 for residential use.  |  |  |                |   |          |   |          |   |          |          |               |               |                               |   |             |

## Notes:

- Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Chang Zi (2004) No. 032030, 滬房地長字(2004)第032030號) dated 27 October 2004, the Club House on Level 4 and the 5 car parking spaces of the property with a total gross floor area of 1,178.81 square metres is held by Jelson Enterprises Limited (振盛企業有限公司), an indirectly wholly-owned subsidiary of the Group, for residential uses. As mentioned in the Shanghai Certificate of Real Estate Ownership, the designated nature of property of the Club House and the carparking spaces are “Cultural Hall” and “Other” respectively.
- Pursuant to 20 sets of Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Chang Zi (2006) Nos. 0117003, 017018, 017022 to 017024, 017026 to 017030, 017036 to 017041 and 017045 to 017048, 滬房地長字(2006)第017003、017018、017022至017024、017026至017030、017036至017041、017045至017048號) all dated 12 September 2006, Level 2 of the property with a total gross floor area of 2,253.81 square metres is held by Jelson Enterprises Limited (振盛企業有限公司) for a land use rights

term commencing on 16 April 1998 and expiring on 4 June 2065 for residential use. As mentioned in the 20 sets of Shanghai Certificate of Real Estate Ownership, the permitted use of Level 2 of the property is commercial.

3. Pursuant to 14 sets of Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Chang Zi (2006) Nos. 017019 to 017021, 017035 and 017049 to 017058, 滬房地長字(2006)第0170019至017021、017035、017049至017058號) all dated 12 September 2006, Level 3 of the property with a total gross floor area of 1,530.51 square metres is held by Jelson Enterprises Limited (振盛企業有限公司) for a land use rights term commencing on 16 April 1998 and expiring on 4 June 2065 for residential use. As mentioned in the 14 sets of Shanghai Certificate of Real Estate Ownership, the permitted use of Level 3 of the property is commercial.
4. Pursuant to a Mortgage Contract for Real Estate dated 16 April 2008, the property (together with Property No. 9 herein) is subject to a mortgage in favour of Hang Seng Bank Limited for a term commencing on 21 May 2008 and expiring on 20 May 2020 for a loan amount of US\$3,830,000. As advised by the Company, the outstanding amount as at the Valuation Date is US\$1,281,823.12.
5. Pursuant to a Second Maximum Mortgage Agreement dated 25 May 2009 and a Third Maximum Mortgage Contract for Real Estate dated 15 June 2010, the property (together with Property No. 9 herein) is subject to a mortgage in favour of Hang Seng Bank (China) Limited Shanghai Branch (恒生銀行(中國)有限公司上海分行) for a term expiring on either 25 May 2019 or 27 April 2017. As advised by the Company, all the outstanding amount has been fully settled as at the Valuation Date.
6. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
7. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
8. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Jelson Enterprises Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. The property is subject to mortgages in favour of Hang Seng Bank Limited and Hang Seng Bank (China) Limited Shanghai Branch.
  - iii. Subject to the mortgagee's rights, Jelson Enterprises Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property  | Description and tenure  | Particulars of occupancy  | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |
|---|---|---|--|
| 4 Western Portion of Level 1, Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC.<br><br>(上海市靜安區延安西路396號，鎮寧路168號美麗園公寓底層西側) | The property comprises a shop on ground floor within a 28-storey composite building plus 3 basement levels completed in about 1999.<br><br>The property has a gross floor area of approximately 751.47 square metres.<br><br>Our valuation has been made on the assumption that the property is held for a land use rights term for 50 years for composite purpose (being the maximum term for land use for composite purpose under the land law of the PRC). | The property is subject to a tenancy for a term commencing on 1 March 2014 and expiring on 28 February 2019 at a current monthly rent of RMB126,878.20 exclusive of management fee and other outgoings. | 37,500,000   |

*Notes:*

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 006840, 滬房地靜字(2005)第006840號) dated 24 May 2005, the property with a gross floor area of 751.47 square metres is held by Poppins Properties (Shanghai) Company Limited (博平置業(上海)有限公司), an indirectly wholly-owned subsidiary of the Group, for commercial use.
2. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
3. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
4. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Poppins Properties (Shanghai) Company Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. According to the registration records, the property is not subject to mortgage.
  - iii. Poppins Properties (Shanghai) Company Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property  | Description and tenure  | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |
|---|---|--|--|
| 5 Western Portion of Level 2, Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC.<br><br>(上海市靜安區延安西路396號，鎮寧路168號美麗園公寓二層西側) | <p>The property comprises the western portion (93.13%) of the 2nd floor within a 28-storey composite building plus 3 basement levels completed in about 1999.</p> <p>The property has a gross floor area of approximately 1,949.19 square metres.</p> <p>Our valuation has been made on the assumption that the property is held for a land use rights term for 50 years for composite purpose (being the maximum term for land use for composite purpose under the land law of the PRC).</p> | <p>The property (together with the remaining portion of 2nd floor of the subject building) is subject to a tenancy for a term commencing on 20 December 2015 and expiring on 19 September 2024 at a current monthly rent of RMB254,937.81 (for the property only) exclusive of management fee and other outgoings.</p> | 64,600,000   |

*Notes:*

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 006840, 滬房地靜字(2005)第006840號) dated 24 May 2005, the property with a gross floor area of 1,949.19 square metres is held by Poppins Properties (Shanghai) Company Limited (博平置業(上海)有限公司), an indirectly wholly-owned subsidiary of the Group, for commercial use.
2. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
3. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
4. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Poppins Properties (Shanghai) Company Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. According to the registration records, the property is not subject to mortgage.
  - iii. Poppins Properties (Shanghai) Company Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property  | Description and tenure  | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |
|---|---|--|--|
| 6 Western Portion of Level 3, Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC.<br><br>(上海市靜安區延安西路396號，鎮寧路168號美麗園公寓三層西側) | <p>The property comprises the western portion (48.95%) of the 3rd floor within a 28-storey composite building plus 3 basement levels completed in about 1999.</p> <p>The property has a gross floor area of approximately 1,065.92 square metres.</p> <p>Our valuation has been made on the assumption that the property is held for a land use rights term for 50 years for composite purpose (being the maximum term for land use for composite purpose under the land law of the PRC).</p> | <p>The property (together with the remaining portion of 3rd floor and the 4th floor of the subject building) is subject to a tenancy for a term of 10 years commencing on 16 July 2013 and expiring on 15 July 2023 at a current monthly rent of RMB143,595 (for the property only) exclusive of management fee and other outgoings.</p> | 32,400,000   |

*Notes:*

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 006840, 滬房地靜字(2005)第006840號) dated 24 May 2005, the property with a gross floor area of 1,065.92 square metres is held by Poppins Properties (Shanghai) Company Limited (博平置業(上海)有限公司), an indirectly wholly-owned subsidiary of the Group, for commercial use.
2. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
3. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
4. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Poppins Properties (Shanghai) Company Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. According to the registration records, the property is not subject to mortgage.
  - iii. Poppins Properties (Shanghai) Company Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group I — Property interests held by the Group in the PRC for Investment

| Property | Description and tenure  | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB     |
|----------|---|--|--|
| 7        | Western Portion of Basement Level 1 to 3, Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC.<br><br>(上海市靜安區延安西路396號·鎮寧路168號美麗園公寓三層西側) | The property comprises 65 car parking spaces within a 3-storey basement underneath a 28-storey composite building completed in about 1999.<br><br>The property has a gross floor area of approximately 3,268.20 square metres.<br><br>Our valuation has been made on the assumption that the property is held for a land use rights term for 50 years for composite purpose (being the maximum term for land use for composite purpose under the land law of the PRC). | As advised by the Company, the property is tenanted.<br><br>19,500,000 |

*Notes:*

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 006840, 滬房地靜字(2005)第006840號) dated 24 May 2005, the property with a gross floor area of 3,268.20 square metres is held by Poppins Properties (Shanghai) Company Limited (博平置業(上海)有限公司), an indirectly wholly-owned subsidiary of the Group, for specified use.
2. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
3. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
4. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Poppins Properties (Shanghai) Company Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. According to the registration records, the property is not subject to mortgage.
  - iii. Poppins Properties (Shanghai) Company Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.



## VALUATION CERTIFICATE

## Group II — Property interests held by the Group in the PRC for Sale

| Property | Description and tenure   | Particulars of occupancy   | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB       |
|----------|--|--|--|
| 8        | <p>Apartment G on 12th Floor, Block 5, Silver Valley Garden, Haikou, Hainan, the PRC.</p> <p>(海南省海口市和平大道16號銀谷苑第五座12G房)</p> | <p>The property comprise a residential unit on 12th level within a 19-storey residential building completed in about 2000.</p> <p>The property has a gross floor area of approximately 108 square metre.</p> <p>Our valuation has been made on the assumption that the property is held for a land use rights term for 70 years for residential purpose (being the maximum term for land use for residential purpose under the land law of the PRC).</p> | <p>As advised by the Company, the property is vacant.</p> <p>630,000</p> |

*Notes:*

1. Pursuant to a Building Ownership Certificate (Ref: Hai Kou Shi Fang Quan Zheng Hai Fang Zi No. 34815, 海口市房權證海房字第34815號) dated 29 January 2000, the property with a gross floor area of 108 square metres is held by Glory South Investment Limited (國南投資有限公司), an indirectly wholly-owned subsidiary of the Group, for residential use.
2. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
 

Building Ownership Certificate : Yes
3. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.
4. The opinion from the PRC legal adviser of the Company on the property is as follows:
  - i. Glory South Investment Limited has legally obtained the Building Ownership Certificate of the property.
  - ii. According to an Investigation Report, the property is not subject to mortgage or other encumbrances.
  - iii. Glory South Investment Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group II — Property interests held by the Group in the PRC for Sale

| Property      | Description and tenure   | Particulars of occupancy   | Market Value in Existing State as at 31 March 2016<br>RMB |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
|---------------|--|--|---|------|-------------|----|---|-------|----|---|--------|----|---|--------|----|---|--------|----|---|--------|----|---|-------|----|---|--------|----|---|--------|---------------|--|------------------------|--|
| 9             | Units 14C, 17A, 17D, 23D, 23E, 27C, 27D and 27E, Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC.<br><br>(上海市靜安區延安西路396號·鎮寧路168號美麗園公寓14C、17A、17D、23D、23E、27C、27D及27E室) | The property comprises 8 residential units on the 14th, 17th, 23rd and 27th floor within a 28-storey composite building plus 3 basement levels completed in about 1999.<br><br>The breakdown of the gross floor area (GFA) of the property is summarized as follows:   | 56,200,000  |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
|               |  | Unit 17A, 17D and 27D of the property with a total gross floor area of 520.59 square metres is subject to 3 tenancies for terms expiring on between 9 August 2017 and 14 October 2017 at a total monthly rent of RMB41,500 inclusive of management fee and property leasing tax.<br><br>As confirmed by the Company, the remaining units of the property is either owner-occupied or vacant.   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
|               |  | <table border="1"> <thead> <tr> <th>Floor</th> <th>Unit</th> <th>GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>14</td> <td>C</td> <td>90.79</td> </tr> <tr> <td>17</td> <td>A</td> <td>196.81</td> </tr> <tr> <td>17</td> <td>D</td> <td>161.89</td> </tr> <tr> <td>23</td> <td>D</td> <td>161.89</td> </tr> <tr> <td>23</td> <td>E</td> <td>190.46</td> </tr> <tr> <td>27</td> <td>C</td> <td>90.79</td> </tr> <tr> <td>27</td> <td>D</td> <td>161.89</td> </tr> <tr> <td>27</td> <td>E</td> <td>190.46</td> </tr> <tr> <td colspan="2"><b>Total:</b></td> <td><b><u>1,244.98</u></b></td> </tr> </tbody> </table> | Floor   | Unit | GFA (sq.m.) | 14 | C | 90.79 | 17 | A | 196.81 | 17 | D | 161.89 | 23 | D | 161.89 | 23 | E | 190.46 | 27 | C | 90.79 | 27 | D | 161.89 | 27 | E | 190.46 | <b>Total:</b> |  | <b><u>1,244.98</u></b> |  |
| Floor         | Unit   | GFA (sq.m.)  |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 14            | C  | 90.79  |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 17            | A  | 196.81   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 17            | D  | 161.89   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 23            | D  | 161.89   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 23            | E  | 190.46   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 27            | C  | 90.79  |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 27            | D  | 161.89   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| 27            | E  | 190.46   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
| <b>Total:</b> |  | <b><u>1,244.98</u></b>   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |
|               |  | Our valuation has been made on the assumption that the property is held for a land use rights term for 50 years for composite purpose (being the maximum term for land use for composite purpose under the land law of the PRC).   |   |      |             |    |   |       |    |   |        |    |   |        |    |   |        |    |   |        |    |   |       |    |   |        |    |   |        |               |  |                        |  |

## Notes:

- Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 002403, 滬房地靜字(2005)第002403號) dated 19 February 2005, portion of the property with a total gross floor area of 801.84 square metres is held by Poppins Properties (Shanghai) Company Limited (博平置業(上海)有限公司), an indirectly wholly-owned subsidiary of the Group, for residential use.
- Pursuant to another Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 006840, 滬房地靜字(2005)第006840號) dated 24 May 2005, the remaining portion of the property with a total gross floor area of 443.14 square metres is held by Poppins Properties (Shanghai) Company Limited for residential use.

3. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

Shanghai Certificate of Real Estate Ownership : Yes

4. No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.

5. The opinion from the PRC legal adviser of the Company on the property is as follows:

- i. Poppins Properties (Shanghai) Company Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
- ii. According to the registration records, the property is not subject to mortgage.
- iii. Poppins Properties (Shanghai) Company Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## VALUATION CERTIFICATE

## Group III — Property interests held by the Group in the PRC for Owner Occupation

| Property      | Description and tenure  | Particulars of occupancy  | Market Value<br>in Existing<br>State as at 31<br>March 2016<br>RMB |      |                |   |   |        |   |   |               |               |  |                             |            |
|---------------|---|---|--|------|----------------|---|---|--------|---|---|---------------|---------------|--|-----------------------------|------------|
| 10            | <p>Units 6D and 6E, Merry Tower, No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC.</p> <p>(上海市靜安區延安西路396號·鎮寧路168號美麗園公寓6D及6E室)</p> | <p>The property comprises 2 residential units on the 6th floor within a 28-storey composite building plus 3 basement levels completed in about 1999.</p> <p>The breakdown of the gross floor area (GFA) of the property is summarized as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: left;">Unit</th> <th style="text-align: right;">GFA<br/>(sq.m.)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">D</td> <td style="text-align: right;">161.89</td> </tr> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">E</td> <td style="text-align: right;"><u>190.46</u></td> </tr> <tr> <td colspan="2" style="text-align: left;"><b>Total:</b></td> <td style="text-align: right;"><b><u><u>352.35</u></u></b></td> </tr> </tbody> </table> <p>Our valuation has been made on the assumption that the property is held for a land use rights term for 50 years for composite purpose (being the maximum term for land use for composite purpose under the land law of the PRC).</p> | Floor  | Unit | GFA<br>(sq.m.) | 6 | D | 161.89 | 6 | E | <u>190.46</u> | <b>Total:</b> |  | <b><u><u>352.35</u></u></b> | 16,100,000 |
| Floor         | Unit  | GFA<br>(sq.m.)  |  |      |                |   |   |        |   |   |               |               |  |                             |            |
| 6             | D   | 161.89  |  |      |                |   |   |        |   |   |               |               |  |                             |            |
| 6             | E   | <u>190.46</u>   |  |      |                |   |   |        |   |   |               |               |  |                             |            |
| <b>Total:</b> |   | <b><u><u>352.35</u></u></b>   |  |      |                |   |   |        |   |   |               |               |  |                             |            |

*Notes:*

- Pursuant to a Shanghai Certificate of Real Estate Ownership (Ref: Hu Fang Di Jing Zi (2005) No. 002403, 滬房地靜字(2005)第002403號) dated 19 February 2005, portion of the property with a total gross floor area of 352.35 square metres is held by Poppins Properties (Shanghai) Company Limited (博平置業(上海)有限公司), an indirectly wholly-owned subsidiary of the Group, for residential use.
- The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:  
  
Shanghai Certificate of Real Estate Ownership : Yes
- No environmental impact assessment has been carried out for the property. As confirmed by the company, it does not have any plan to carry out any improvement or redevelopment work, dispose of or change the use of the property in the foreseeable future.

4. The opinion from the PRC legal adviser of the Company on the property is as follows:
- i. Poppins Properties (Shanghai) Company Limited has legally obtained the Shanghai Certificate of Real Estate Ownership of the property.
  - ii. According to the registration records, the property is not subject to mortgage.
  - iii. Poppins Properties (Shanghai) Company Limited has the rights to use, occupy, transfer, lease, pledge or otherwise dispose of the property in accordance with relevant laws.

## 1. RESPONSIBILITY STATEMENT

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

The sole director of the Offeror, namely Mr. Jiang Tian accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Selling Shareholder, the Disposal Purchaser, their respective associates and parties acting in concert with any of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document respectively (other than the opinions expressed by the Directors, the Group, the Selling Shareholder, the Disposal Purchaser, their respective associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

## 2. SHARE CAPITAL

The issued share capital of the Company as at the Latest Practicable Date are as follows:

|   |                 |
|---|-----------------|
| <i>Issued and fully paid or credited as fully paid:</i> | <i>HK\$'000</i> |
| <u>261,684,910</u> Shares                               | <u>71,853</u>   |

All the Shares currently in issue rank *pari passu* in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

No Shares have been issued since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or other securities carrying rights of conversion into or exchange or subscription for Shares.

### 3. MARKET PRICE

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date.

| Date   | Closing price<br>per Share<br>HK\$ |
|--|------------------------------------|
| 27 February 2015   | 3.140                              |
| 31 March 2015  | 3.180                              |
| 30 April 2015  | 3.820                              |
| 29 May 2015  | 3.700                              |
| 30 June 2015   | 4.890                              |
| 31 July 2015   | 4.200                              |
| 28 August 2015 (being the last Business Day<br>immediately preceding the commencement of the Offer Period) | 3.620                              |
| 30 September 2015  | 4.530                              |
| 30 October 2015  | 5.110                              |
| 30 November 2015   | 5.880                              |
| 31 December 2015   | 6.050                              |
| 21 January 2016 (being the Last Trading Day)   | 5.680                              |
| 29 January 2016  | NA ( <i>Note</i> )                 |
| 29 February 2016   | 6.930                              |
| 31 March 2016  | 6.980                              |
| 29 April 2016  | 6.860                              |
| 31 May 2016  | 8.300                              |
| 17 June 2016 (being the Latest Practicable Date)   | 3.980                              |

*Note:* Price not available due to suspension of trading

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$8.330 per Share on 1 June 2016; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$2.700 per Share on 8 July 2015.

#### 4. DISCLOSURE OF INTERESTS

##### (a) Interests of Directors and chief executives of the Company in the securities of the Company and its associated corporations

As at the Latest Practicable Date, save for the deemed interest of Mr. Ho in 1,076,000 Shares, which are held by his spouse, none of the directors or the chief executives of the Company had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

##### (b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following parties, other than a Director or chief executive of the Company, had, or were deemed to have interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

##### *Long position in the Shares*

| Substantial Shareholder   | Direct interest | Deemed interests | Total       | % of issued share capital |
|---|-----------------|------------------|-------------|---------------------------|
| The Offeror <sup>(1)</sup>  | 138,347,288     | —                | 138,347,288 | 52.87%                    |
| Jiang Tian  | —               | 138,347,288      | 138,347,288 | 52.87%                    |
| Shanghai Chongsheng Investment Management Co., Ltd <sup>(1)</sup> | —               | 138,347,288      | 138,347,288 | 52.87%                    |
| COFCO (Hong Kong) Limited   | 45,058,000      | —                | 45,058,000  | 17.22%                    |

##### *Notes:*

- The Offeror is indirectly wholly owned by Shanghai Chongsheng Investment Management Co., Ltd. which is owned as to 99% by Mr. Jiang Tian and 1% by Mr. Gong Biao. By virtue of the SFO, Mr. Jiang Tian and Shanghai Chongsheng Investment Management Co., Ltd are deemed to be interested in all the Shares in which the Offeror is interested.



Save as disclosed above, the Directors or chief executive of the Company are not aware of any party who, as at the Latest Practicable Date, had, or were deemed to have interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code), or to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## 5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

During the Relevant Period and as at the Latest Practicable Date, in respect of the Company:

- (a) the Company did not hold, nor had dealt for value in the shares of the Offeror, or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (b) none of the Directors held, or had dealt for value in the shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror;
- (c) no person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any parties acting in concert with it had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (d) save as disclosed in this Composite Document, none of the Directors was interested in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of “associate “under the Takeovers Code), had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and/or had dealt in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code);
- (f) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (g) no securities of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities of the Company;

- (h) no Shares or securities of the Company had been borrowed or lent by any of the Directors or any person acting in concert with the Directors or by the Company;
- (i) no Directors held/directed/owned any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date;
- (j) there was no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Share Offer;
- (k) there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest; and
- (l) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome or otherwise connected with the Share Offer.

The Offeror confirms that as at the Latest Practicable Date,

- (i) save as disclosed in section headed “4. Disclosure of Interests” in this Appendix, none of the Offeror, its shareholders, its ultimate beneficial owners, its directors nor parties acting in concert with any of them was interested in or owned or controlled nor had dealt in any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (ii) no shares or securities of the Company had been borrowed or lent by any of the Offeror, its directors, its shareholder, its ultimate beneficial owners, or any parties acting in concert with any of them;
- (iii) there was no agreement or arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Offer;
- (iv) the Offeror and/or parties acting concert with it had no intention to transfer, charge or pledge the Shares to be acquired under the Share Offer to any other persons nor was there any such agreement, arrangement or understanding which have been or will be entered into by the Offeror and/or parties acting concert with it to transfer, charge or pledge any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which have been or to be or agreed to be (if any) acquired by the Offeror and/or parties acting in concert with it to any other persons;
- (v) save for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement, none of the Offeror, its shareholder, its ultimate beneficial owners, its director nor parties acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

- (vi) the Offeror, its shareholders, its ultimate beneficial owner, and parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Share Offer prior to and up to the Latest Practicable Date;
- (vii) there was no outstanding derivative in respect of securities in the Company, which was entered into by the Offeror, its shareholders, its ultimate beneficial owners and/or parties acting in concert with any of them;
- (viii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person on the one hand and (i) the Offeror or (ii) the parties acting in concert with it or (iii) the associates of the Offeror on the other hand;
- (ix) save for the Sale Shares, none of the Offeror, its shareholders, its ultimate beneficial owners and parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company; and
- (x) save for the Share Purchase Agreement, there was no agreement or arrangement to which the Offeror, its shareholders, its director(s), its ultimate beneficial owners and parties acting in concert with any of them was a party which related to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Share Offer.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had an interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

## 7. DIRECTORS' SERVICE CONTRACTS

Mr. Patrick Kwok Wai POON, an executive Director, entered into a letter of appointment with the Company for three years from 25 May 2016 until the conclusion of the Company's annual general meeting occurring approximately three years from the date of appointment letter. He is entitled to receive a fixed remuneration of RMB109,200 per month and variable remuneration as discretionary performance bonus having regard to the performance of Mr. POON. Mr. POON's salary tax will be borne by the Company.

Mr. Maung Tun MYINT, an executive Director, entered into a letter of appointment with the Company for three years from 25 May 2016 until the conclusion of the Company's annual general meeting occurring approximately three years from the date of appointment letter. He is entitled to receive a fixed remuneration of HK\$183,520 per month and variable remuneration as discretionary performance bonus having regard to the performance of Mr. MYINT.

Mr. Lawrence Kam Kee YU, an independent non-executive Director, entered into a service contract with the Company for three years from 21 May 2016 to 20 May 2019, subject to early termination. He is entitled to receive a fixed remuneration of HK\$280,000 per annum.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group or associated companies which (i) is not determinable by the Company within one year without payment of compensation, other than statutory compensation (ii) had been entered into or amended within six months prior to the commencement of the offer period (i.e. 1 September 2015) (including both continuous and fixed term contracts); (iii) were continuous contracts with a notice period of 12 months or more; or (iv) were fixed term contracts with more than 12 months to run irrespective of the notice period.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this Composite Document and have given opinions and advice which are contained in this Composite Document:

| Name                              | Qualifications   |
|-----------------------------------|--|
| Asset Appraisal Limited           | Independent professional valuer  |
| CCB International Capital Limited | a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror in respect of the Share Offer |
| Investec Capital Asia Limited     | a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities under the SFO  |
| VMS Securities Limited            | a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO   |

As at the Latest Practicable Date, each of the experts above, did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts above has given and has not withdrawn its respective written consents to the issue of this Composite Document, with the inclusion therein of its respective letters, reports or the references to its respective names in the form and context in which they appear.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

## **9. CLAIMS AND LITIGATION**

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, there is no litigation or claims of material importance pending or threatened against any member of the Group.

## **10. MATERIAL CONTRACTS**

Except for the Disposal Agreement and the Lease Agreement, no member of the Group had entered into any material contracts (not being a contract entered into in the ordinary course of business) within the two years immediately before the commencement of the Offer Period and up to Latest Practicable Date.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except Saturdays, Sundays and public holidays at the head office and principal place of business of the Company in Hong Kong at Room 1512, 15/F, New World Tower 1, 16–18 Queen’s Road Central, Hong Kong; (ii) on the SFC’s website at <http://www.sfc.hk>; and (iii) on the Company’s website at <http://www.greatchinaholdingsltd.com.hk/> from the date of this Composite Document up to and including the Closing Date:

- (a) the articles of association of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the letter from CCBI, the text of which is set out in the section headed “Letter from CCBI” of this Composite Document;
- (d) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this Composite Document;
- (e) the letter from the Independent Board Committee to the Share Offer Shareholders, the text of which is set out in section head “Letter from the Independent Board Committee” of this Composite Document;

- (f) the letter of advice from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this Composite Document;
- (g) the annual reports of the Company for each of the two years ended 31 December 2015;
- (h) the independent reporting accountant’s report on the financial information of the Group for the two years ended 31 December 2014 and 2015;
- (i) this Composite Document;
- (j) the Disposal Agreement;
- (k) the Lease Agreement;
- (l) the valuation reports from Asset Appraisal Limited in respect of the valuation of properties held by the Remaining Group, the text of which is set out in Appendix III to this Composite Document;
- (m) the written consents referred to under the paragraph headed “8. Experts and consents” in this appendix;
- (n) copies of the service contracts referred to under the paragraph headed “7. Directors’ service contracts” in this appendix; and
- (o) copies of the material contracts referred to under the paragraph headed “10. Material Contract” in this appendix.

## 12. MISCELLANEOUS

- (a) Ms. Wing Yan HO is the company secretary of the Company. She is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered and head office of the Company is situated at Room 1512, 15/F, New World Tower 1, 16–18 Queen’s Road Central, Hong Kong.
- (c) The share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (d) The registered office of the Offeror is situated at Second Floor, Capital City, Independence Avenue, Victoria Mahe, Seychelles and its sole director is Mr. Jiang Tian.

- (e) The registered office of Shanghai Chongsheng Investment Management Co., Ltd is Room 537, 5/F, Block 1, 458 Fu Te Dong Yi Lu, Shanghai Experimental Free-Trade Zone, PRC (中國(上海)自由貿易試驗區富特東一路458號1幢5層537室) and its sole director is Mr. Jiang Tian. The Offeror is an indirect wholly-owned subsidiary of Shanghai Chongsheng Investment Management Co. Ltd., which is owned as to 99% by Mr. Jiang Tian and 1% by Mr. Gong Biao. The correspondence address of each of Mr. Jiang Tian and Mr. Gong Biao is 358 Hongxu Road, Shanghai, the PRC.
- (f) The registered office of CCBI is situated at 12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong.
- (g) The registered office of the Independent Financial Adviser is situated at 49/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
- (h) The English text of this Composite Document shall prevail over the Chinese text in the event of inconsistency.