THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Nan Hai Corporation Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

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

ODYSSEUS

A letter from the board of directors of Nan Hai Corporation Limited (the "**Company**") is set out on pages 13 to 40 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 41 to 42 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 61 of this circular.

A notice convening the special general meeting of the Company to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 15 October 2013, at 9:30 a.m. is set out on pages 132 to 135 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purpose only*

24 September 2013

CONTENTS

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

"Acquired Interests"	the Sale Shares and the Shareholder Loan
"Assignment of Shareholder Loan"	the deed of assignment executed on the Completion Date between the Vendor, Listar and the Purchaser in relation to the assignment of shareholder's loan owed by Listar to the Vendor, the sum of which is equivalent to 27% of the Total Shareholder Loan
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baitak"	Baitak Asian Shenzhen Peninsula Co., Ltd., one of the substantial shareholders of Listar, holding 6,000,000 Class B Shares (representing 30% issued share capital of Listar) upon completion of the "Disposal" (as defined in the October Announcement), who then becomes a connected person of the Company as per the Listing Rules
"Baitak Assignment of Shareholder Loan"	the deed of assignment executed on 31 December 2012 between the Vendor and Baitak in relation to the assignment of shareholder loan owed by Listar to the Vendor in the amount of HK$285,133,424, representing 30% of the aggregate outstanding amount of shareholder loan due and owing by Listar to the Vendor as at the date of the assignment
"Baitak December Transaction Documents"	has the same meaning as defined in "Transaction Document(s)" in the October Announcement
"Baitak Deed of Covenant"	has the same meaning as defined in "Deed of Covenant" in the October Announcement
"Baitak Discharge Documents"	(a) the Deed of Partial Release and Variation of Security Assignment (HLDL Shareholder Loan); (b) the Deed of Partial Release and Variation of Security Assignment (Listar Shareholder Loan); (c) the Deed of Partial Release and Variation of Security Assignment (Vendor Shareholder Loan); (d) the Deed of Partial Release of HLDL Share Mortgage; (e) the Deed of Partial Release of Listar Share Mortgage; (f) the Deed of Release of Dongjing Account Charge;

	(g) the Deed of Release of Dongjing Security Assignment (Shareholder Advances);
	(h) the Deed of Release of Dongjing Share Mortgage;
	(i) the Deed of Release of Security Assignment (Vendor Rights);
	(j) the Deed of Termination of Dongjing Guarantee and Deed of Confirmation; and
	(k) the Deed of Termination of Dongjing Subordination Deed
"Baitak Security Documents"	has the same meaning as defined in the "Listar Security Documents" in the October Announcement as varied or terminated by the relevant Baitak Discharge Documents
"Baitak Shareholders' Agreement"	a shareholders' agreement entered into between the Vendor, Listar and Baitak on 31 December 2012, whereby the parties thereof set out their respective rights and obligations in Listar
"Baitak SPA"	the sale and purchase agreement entered into between the Vendor, Listar and Baitak on 31 October 2012, whereby the Vendor agreed to sell and Baitak agreed to purchase 6,000,000 shares in the share capital of Listar (representing 30% of the total issued share capital of Listar) and 30% of the shareholder's loan due and owing by Listar to the Vendor (details of which are set out in the October Announcement)
"Baitak Transaction Documents"	(a) Baitak Assignment of Shareholder Loan;
	(b) Baitak Discharge Documents; and
	(c) Baitak Security Documents
"Board"	the board of Directors of the Company
"Business Day"	a day, other than Saturday, Sunday and a day on which a tropical cyclone warning signal number 8 or above or a black rainstorm signal is hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m. on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours

"Bye-Laws"	the bye-laws of the Company as may be amended from time to time
"CITIC Capital"	CITIC Capital Credit Limited, an Associate of CITIC Group as at the date of this circular
"CITIC Group"	CITIC Group Corporation (formerly known as China International Trust and Investment Corporation), which is a large state-owned multinational conglomerate with a balanced development of both financial and non-financial businesses in the PRC. Its financial business covers a full range of services including commercial banking, investment banking, trust, insurance, fund management and asset management, and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and IT industry
"Class A Share"	a share issued or to be issued by Listar and designated as a Class A Share, the holder of which as at the date of this circular is the Vendor, and "Class A Shares" shall be construed accordingly
"Class B Share"	a share issued or to be issued by Listar and designated as a Class B Share, the holder of which as at the date of this circular is Baitak, and "Class B Shares" shall be construed accordingly
"Company"	Nan Hai Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock Code: 680)
"Completion"	completion of the sale and purchase of the Acquired Interests pursuant to the Sale and Purchase Agreement
"Completion Date"	the date on which the Purchaser issuing a letter to the Vendor, which shall be within one (1) week upon fulfillment of all conditions precedent set out in the Sale and Purchase Agreement, as its final confirmation of such fulfillment (but such date shall not be later than the Long Stop Date), or any other date to be mutually agreed by the parties to the Sale and Purchase Agreement
"connected person"	has the meaning ascribed to it under Rule 1.01 and as extended by Rule 14A.11 of the Listing Rules

"Connected Transactions"	the connected transactions contemplated under the Shareholders' Agreement and the Deed of Covenants as secured by the Security Documents
"Consideration"	the aggregate consideration for the Disposal, being RMB607,000,000 (equivalent to approximately HK$748,597,151)
"Deed of Confirmation"	the deed of confirmation dated 26 October 2012 in relation to the Dongjing Guarantee
"Deed of Covenants"	the deed of covenants to be executed on the Completion Date between the Purchaser, the Vendor, Baitak, the Company and Listar in relation to, among other things, the consummation of the transaction contemplated under the Sale and Purchase Agreement and the termination of the Baitak Deed of Covenant
"Deed of Partial Release and Variation of Security Assignment (HLDL Shareholder Loan)"	the deed of partial release and variation to be executed on the Completion Date between HLDL and Baitak in relation to, among other things, the release of 47.4% of the outstanding shareholder loan due and owing by the Project Company to HLDL
"Deed of Partial Release and Variation of Security Assignment (Listar Shareholder Loan)"	the deed of partial release and variation to be executed on the Completion Date between Listar and Baitak in relation to, among other things, the release of 47.4% of the outstanding shareholder loan due and owing by HLDL to Listar
"Deed of Partial Release and Variation of Security Assignment (Vendor Shareholder Loan)"	the deed of partial release and variation to be executed on the Completion Date between the Vendor and Baitak in relation to, among other things, the release of 47.4% of the outstanding shareholder loan due and owing by Listar to the Vendor
"Deed of Partial Release of HLDL Share Mortgage"	the deed of release to be executed on the Completion Date between Listar, HLDL and Baitak in relation to, among other things, the release of the mortgage of 47.4% of the entire issued share capital of HLDL
"Deed of Partial Release of Listar Share Mortgage"	the deed of release to be executed on the Completion Date between the Vendor, Listar and Baitak in relation to, among other things, the release of the mortgage of 47.4% of the total issued share capital of Listar

"Deed of Release of Dongjing Account Charge"	the deed of release to be executed on the Completion Date between HLDL and Baitak in relation to the full release of the Dongjing Account Charge
"Deed of Release of Dongjing Security Assignment (Shareholder Advances)"	the deed of release to be executed on the Completion Date between HLDL and Baitak in relation to the full release of the Dongjing Security Assignment (Shareholder Advances)
"Deed of Release of Dongjing Share Mortgage"	the deed of release to be executed on the Completion Date between Listar, HLDL and Baitak in relation to the full release of the Dongjing Share Mortgage
"Deed of Release of Security Assignment (Vendor Rights)"	the deed of release to be executed on the Completion Date between the Vendor and Baitak in relation to the full release of the Security Assignment (Vendor Rights)
"Deed of Termination of Dongjing Guarantee and Deed of Confirmation"	the deed of termination to be executed on the Completion Date between HLDL and Baitak in relation to the termination of the Dongjing Guarantee and the Deed of Confirmation
"Deed of Termination of Dongjing Subordination Deed"	the deed of termination to be executed on the Completion Date between Listar, HLDL and Baitak in relation to the full discharge and termination of the Dongjing Subordination Deed
"Director(s)"	the director(s) of the Company
"Disposal"	disposal of the Acquired Interests by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
"Dongjing Account Charge"	the account charge dated 22 July 2011 entered into between HLDL and Baitak in relation to the charge on bank account of HLDL
"Dongjing Guarantee"	the guarantee dated 22 July 2011 granted by HLDL in favour of Baitak
"Dongjing Security Assignment (Shareholder Advances)"	the security assignment dated 22 July 2011 entered into between HLDL and Baitak in relation to the shareholder's advances from HLDL to the Project Company
"Dongjing Share Mortgage"	the share mortgage dated 22 July 2011 entered into between Listar, HLDL and Baitak in relation to the mortgage of the entire issued share capital of HLDL

"Dongjing Subordination Deed"	the subordination deed dated 22 July 2011 entered into between Listar, HLDL and Baitak in relation to the indebtedness due to Listar by HLDL
"Group"	the Company and its subsidiaries
"Guangzhou Freeman"	廣州自由人男子籃球俱樂部股份有限公司 (Guangzhou Freeman Basketball Club Company Limited), a limited liability company established in the PRC and a wholly-owned subsidiary of the Project Company as at the date of this circular
"HLDL Letter of Undertaking"	the letter of undertaking dated 31 December 2012 granted by Listar and HLDL to Baitak in respect of the company secretarial matter of HLDL
"Honest Link" or "HLDL"	Honest Link Development Limited (興漢發展有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Listar as at the date of this circular
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of providing recommendations to the Independent Shareholders in respect of the Connected Transactions
"Independent Financial Adviser"	Odysseus Capital Asia Limited, a corporation licensed to conduct type 6 regulated activity under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Connected Transactions
"Independent Shareholders"	Shareholder(s) other than Staverley and its Associates, and those who are required to abstain from voting in respect of each of the Connected Transactions under the Listing Rules (if any)
"Latest Practicable Date"	17 September 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

"Letter Agreement"	the letter agreement to be entered prior to the Completion between Baitak, the Vendor, the Company and the Purchaser in respect of certain consents and waivers granted by Baitak for incentivizing the Purchaser's acquisition of the Acquired Interests by entering into the Sale and Purchase Agreement
"Listar"	Listar Properties Limited, a company incorporated in the British Virgin Islands with limited liability and a 70% owned subsidiary of the Vendor as at the date of this circular
"Listar Group"	Listar and its subsidiaries
"Listar Letter of Undertaking"	the letter of undertaking dated 3 January 2013 granted by the Vendor and Listar to Baitak in respect of the company secretarial matter of Listar
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	16 October 2013 or such other date to be mutually agreed by the Purchaser, the Vendor and the Company
"LWD"	Liu Wan Development (BVI) Company Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"LWD MTQ Agreements"	the Murabaha-Tawarruq Agreement dated 3 August 2009 entered into between Baitak and LWD (as amended and supplemented by a supplemental agreement dated 22 July 2011 and further amended and supplemented by the letter agreement dated 26 October 2012) in relation to a financing of up to US$275,000,000 granted by Baitak to LWD, and the Murabaha-Tawarruq Agreement dated 22 July 2011 entered into between Baitak and LWD (as amended and supplemented by the letter agreement dated 26 October 2012) in relation to a financing of up to US$52,598,000 granted by Baitak to LWD
"LWD MTQ Transaction Documents"	the LWD MTQ Agreements, the LWD MTQ Security Documents, the sale agency agreements dated 3 August 2009 and 22 July 2011 entered into between Baitak and LWD

"LWD MTQ Security Documents"	the share mortgage of LWD, share mortgage of LWI, assignment of shareholder's advances from LWD to LWI, assignment of shareholder's advances from LWI to Shenzhen Nanhai Yitian Realty Company Limited, a sino-foreign cooperative joint venture established in the PRC and a subsidiary of LWI as at the Latest Practicable Date, charges on the bank accounts of LWD and LWI in favor of Baitak
"LWI"	Liu Wan Investment Company Limited, a company Incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of LWD as at the Latest Practicable Date
"Model Code"	Model Code for Securities Transactions by directors of Listed Issuers
"New HLDL Accounts Charge"	the accounts charge to be executed on the Completion Date between HLDL and the Purchaser in relation to the charge over certain bank accounts opened or to be opened and maintained by HLDL
"New HLDL Share Mortgage"	the share mortgage to be executed on the Completion Date between Listar, HLDL and the Purchaser in relation to the mortgage of 47.4% of the entire issued share capital of HLDL
"New Listar Share Mortgage"	the share mortgage to be executed on the Completion Date between the Vendor, Listar and the Purchaser in relation to the mortgage of 20.4% of the entire issued share capital of Listar
"New Security Assignment (HLDL Shareholder Loan)"	the security assignment to be executed on the Completion Date between HLDL and the Purchaser in relation to 47.4% of the shareholder loan advanced by HLDL to the Project Company
"New Security Assignment (Listar Shareholder Loan)"	the security assignment to be executed on the Completion Date between Listar and the Purchaser in relation to 47.4% of the shareholder loan advanced by Listar to HLDL
"New Security Assignment (Vendor Shareholder Loan)"	the security assignment to be executed on the Completion Date between the Vendor and the Purchaser in relation to 47.4% of the shareholder loan advanced by the Vendor to Listar

"New Vendor Account Charge"	the accounts charge to be executed on the Completion Date between the Vendor and the Purchaser in relation to the charge over certain bank accounts opened or to be opened and maintained by the Vendor
"October Announcement"	an announcement dated 31 October 2012 issued by the Company
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
"Project"	the property development project namely "Free Man Garden" on the Site by the Project Company
"Project Company"	廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.), a sino-foreign co-operative joint venture established in the PRC
"Purchaser"	CITIC Real Estate (Hong Kong) Development Limited, a subsidiary of CITIC Group as at the date of this circular
"Remaining Group"	the Group immediately after Completion
"Sale and Purchase Agreement"	the sale and purchase agreement dated 28 June 2013 entered into between the Vendor, the Purchaser and the Company in relation to the Disposal
"Sale Shares"	5,400,000 Class A Shares of US$1 each in the share capital of Listar held by the Vendor as at the date of this circular
"Secured Obligations"	all present and future indebtedness, obligations and liabilities (whether actual or contingent and whether owed on a joint and several basis), which are or may be or may become due or owing to the Purchaser by the Vendor, the Company, Baitak, Listar or Honest Link under or pursuant to the Sale and Purchase Agreement or any other Transaction Documents
"Security Assignment (Vendor Rights)"	the security assignment dated 3 January 2013 between the Vendor and Baitak in relation to the rights and interest of the Vendor in the Baitak SPA, the Baitak Shareholders' Agreement and the Baitak Deed of Covenant
"Security Documents"	(a) the New HLDL Accounts Charge; (b) the New HLDL Share Mortgage;

	(c) the New Listar Share Mortgage;
	(d) the New Security Assignment (HLDL Shareholder Loan);
	(e) the New Security Assignment (Listar Shareholder Loan);
	(f) the New Security Assignment (Vendor Shareholder Loan); and
	(g) the New Vendor Account Charge
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for (i) the Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider and, if thought fit, to approve the Connected Transactions
"Share(s)"	share(s) of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shareholder Loan"	27% of the Total Shareholder Loan
"Shareholders' Agreement"	the shareholders' agreement to be entered into between the Vendor, the Purchaser, Baitak and Listar on the Completion Date in respect of their respective rights and obligations in Listar
"Sino-i"	Sino-i Technology Limited, a company incorporated in Hong Kong and its issued shares are listed on the Stock Exchange (Stock Code: 250), a subsidiary of the Company
"Site"	all that piece of land situated at Xinhua County, Huadu District, Guangzhou of the PRC with gross floor area of approximately 1,036,000 sq.m. in aggregate
"Staverley"	Staverley Assets Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CITIC Group as at the date of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Letter of Undertaking"	the letter of undertaking to be granted by the Vendor, Listar and HLDL to Baitak and the Purchaser on the Completion Date in relation to certain amendments to the Listar Letter of Undertaking and HLDL Letter of Undertaking, such as in the event that Baitak exercises its rights to demand the replacement of the secretary of Listar in accordance with the Listar Letter of Undertaking, and/or the replacement of the secretary of HLDL in accordance with the HLDL Letter of Undertaking, Baitak shall nominate an independent corporate secretarial services company as the new secretary of Listar and/or HLDL (as the case may be) subject to the Purchaser's prior written consent
"Total Shareholder Loan"	the total amount of shareholders' loan due and owing by Listar to the Vendor and Baitak immediately preceding the Completion
"Transaction Documents"	(a) Shareholders' Agreement; (b) the Deed of Covenants; (c) the Baitak Transaction Documents; (d) the Assignment of Shareholder Loan; (e) the Security Documents; (f) the Letter Agreement; and (g) the Supplemental Letter of Undertaking
"Undertaking Letter"	an undertaking letter issued by Mr. Yu Pun Hoi, the substantial shareholder of the Company, confirming, among other things, the approval of the Sale and Purchase Agreement and all transactions contemplated thereunder in the SGM
"Vendor"	Nan Hai Development Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Reminbi, the lawful currency of the PRC
"US$"	US dollar, the lawful currency of the United States of America

"sq.m."	square metres
"%"	per cent.

For the purpose of this circular, unless otherwise indicated, the exchange rates of RMB0.81085 = HK$1, RMB6.15053 = US$1 and HK$7.758 = US$1 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK$, RMB or US$ have been, could have been or may be converted at such or any other rates.

南海控股有限公司*
NAN HAI CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 680)

Executive Directors:
Mr. Yu Pun Hoi *(Chairman)*
Ms. Chen Dan
Ms. Liu Rong

Non-executive Directors:
Mr. Wang Gang
Mr. Lam Bing Kwan

Independent non-executive Directors:
Prof. Jiang Ping
Mr. Lau Yip Leung

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
26/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

24 September 2013

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL,
CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 28 June 2013, the Company announced that the Vendor, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor shall sell and the Purchaser shall acquire the Acquired Interests at the Consideration (being RMB607,000,000, equivalent to approximately HK$748,597,151), which shall be settled in cash. The Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules.

* *For identification purpose only*

The following documents will be signed upon Completion to regulate the rights and obligations of the Vendor and the Purchaser in respect of their investment in Listar:

(1) the Shareholders' Agreement; and

(2) the Deed of Covenants, whereupon the Vendor will undertake certain obligations regards the Listar Group.

Upon Completion, the Security Documents will also be executed to secure, among others, the obligations of the Vendor, the Company and Listar under the above documents.

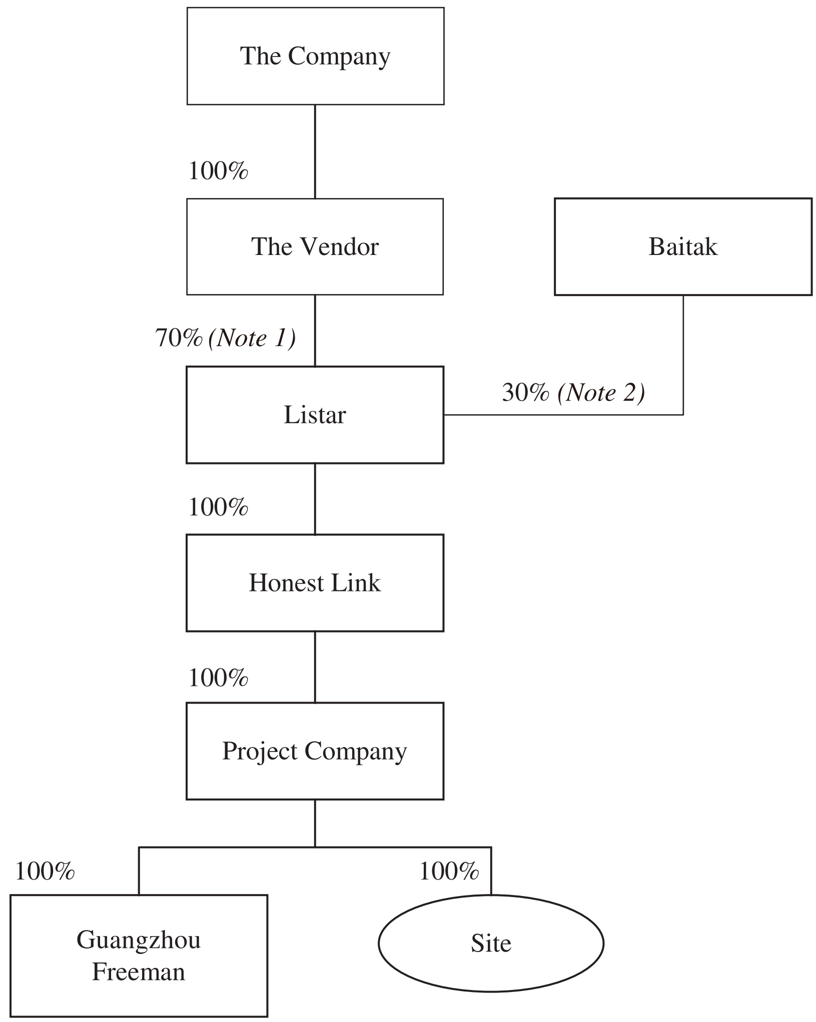
The purposes of this circular are to provide the Shareholders with further information on the Disposal and the Connected Transactions, the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Connected Transactions as well as the notice of SGM.

BACKGROUND

On 28 June 2013 after trading hours, the Vendor as vendor, the Company as guarantor and the Purchaser as purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor shall sell and the Purchaser shall acquire the Acquired Interests at the Consideration, being RMB607,000,000, equivalent to approximately HK$748,597,151.

Set out below is the shareholding structure of the Listar Group as at the Latest Practicable Date and immediately upon Completion:

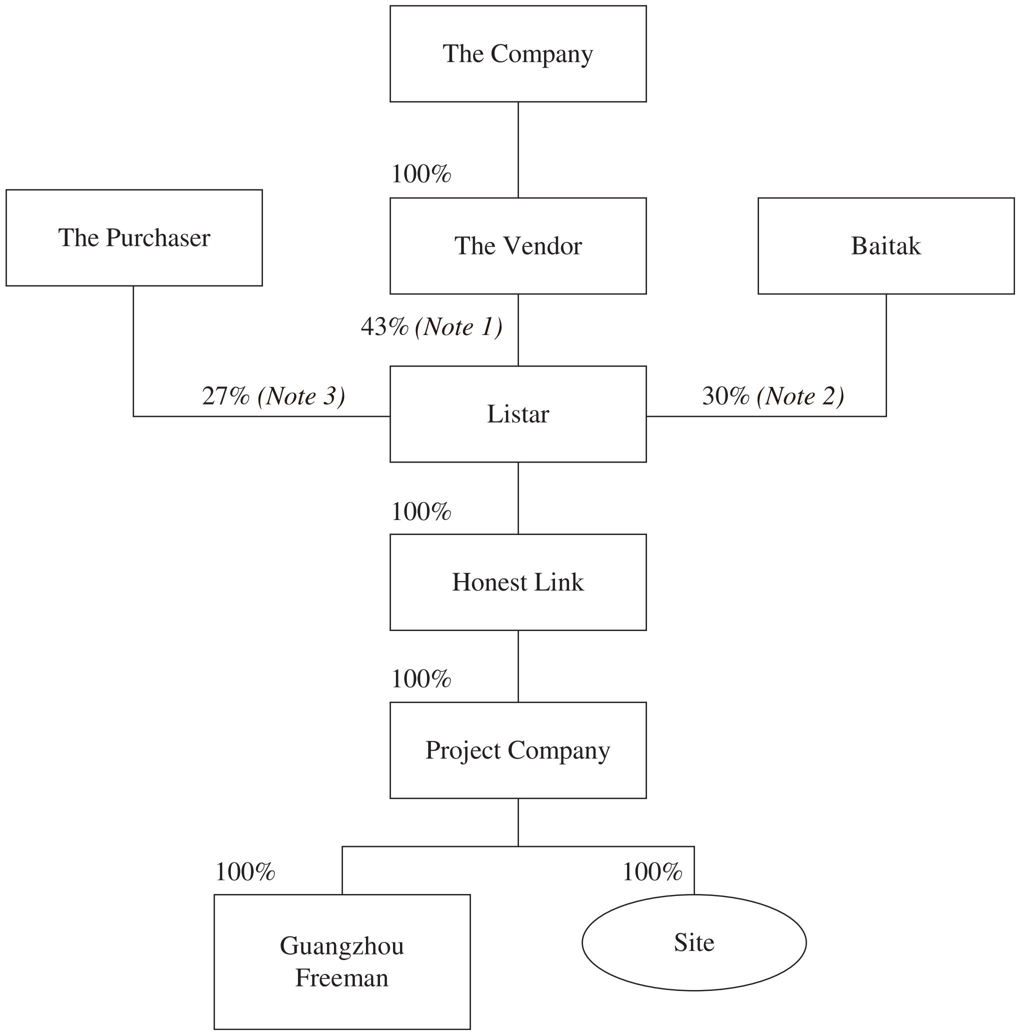
Shareholding structure of the Listar Group as at the Latest Practicable Date



Note 1: 70% issued share capital of Listar, representing 14,000,000 Class A Shares held by the Vendor.

Note 2: 30% issued share capital of Listar, representing 6,000,000 Class B Shares held by Baitak subsequent to the disposal of 6,000,000 shares of Listar as disclosed in the October Announcement.

Shareholding structure of the Listar Group immediately upon Completion



Note 1: 43% issued share capital of Listar, representing 8,600,000 Class A Shares held by the Vendor.

Note 2: 30% issued share capital of Listar, representing 6,000,000 Class B Shares held by Baitak.

Note 3: 27% issued share capital of Listar, representing 5,400,000 Class A Shares held by the Purchaser.

Upon Completion, the Purchaser will become a 27% shareholder of Listar. The following documents will be signed upon Completion to regulate the rights and obligations of the Vendor and the Purchaser in respect of their investment in Listar:

(1) the Shareholders' Agreement; and

(2) the Deed of Covenants, whereupon the Vendor will undertake certain obligations as regards the Listar Group

Upon Completion, the Security Documents will also be executed to secure, among others, the obligations of the Vendor, the Company and Listar under the above documents.

THE DISPOSAL

The Sale and Purchase Agreement

Date: 28 June 2013 (after trading hours)

Parties:

(1) the Vendor;

(2) the Company (as guarantor of the Vendor's payment obligations of the guaranteed return under the Deed of Covenants); and

(3) the Purchaser (to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner, the CITIC Group, are third parties independent of the Group and Baitak and their respective connected persons, save and except that Staverley, a fellow subsidiary of the Purchaser, holds 4,893,197,974 Shares (as at the Latest Practicable Date) (representing approximately 7.13% of the total issued share capital of the Company) and CITIC Capital, a fellow subsidiary of the Purchaser, is a lender of two (2) term loan facilities to the Company. To the best knowledge of the Directors, the Purchaser is an investment holding company and its parent company is engaged in property investment and development in the PRC)

Assets to be disposed of

(1) the Sale Shares, being 5,400,000 Class A Shares of US$1 each in the capital of Listar, representing 27% of the total issued share capital (the aggregate of Class A Shares and Class B Shares) of Listar as at the Latest Practicable Date; and

(2) the Shareholder Loan, being 27% of the Total Shareholder Loan. Pursuant to the Sale and Purchase Agreement, the Total Shareholder Loan shall not exceed HK$950,444,745 as at Completion.

Consideration

The Consideration for the Acquired Interests is RMB607,000,000 of which:

(1) consideration for the Shareholder Loan shall be the sum of 27% of the Total Shareholder Loan, i.e. RMB208,080,393 (equivalent to approximately HK$256,620,081, basing on the agreed exchange rate of HK$1 = RMB0.81085); and

(2) consideration for the Sale Shares shall be the balance of the Consideration, i.e. RMB398,919,607 (equivalent to approximately HK$491,977,070).

The Consideration shall be payable by the Purchaser or any other person as it may direct to the Vendor in cash in the following manner:

(1) the first instalment payment for the sum of RMB400,000,000 (or its equivalent in either US$ or HK$ by referring to the average buy and sell rates disclosed publicly by The Hongkong and Shanghai Banking Corporation Limited on the Business Day immediately preceding the payment date) to be paid upon the Purchaser within one (1) week upon fulfillment of all conditions precedent set out in the Sale and Purchase Agreement, issuing a letter to the Vendor as its final confirmation of such fulfillment of the conditions (i.e. on the Completion Date); and

(2) the balance payment for the sum of RMB207,000,000 (or its equivalent in either US$ or HK$ by referring to the average buy and sell rates disclosed publicly by The Hongkong and Shanghai Banking Corporation Limited on the Business Day immediately preceding the payment date) to be paid within seventy five (75) days from the day immediately subsequent to the payment date of the first instalment (or any other date to be mutually agreed by the Vendor and the Purchaser) provided that there is no material breach of warranties and undertakings as set out in the Sale and Purchase Agreement by the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (1) the property valuation report prepared by Vigers Appraisal and Consulting Limited, an independent valuer, and (2) the recent downturn of property market in the PRC. Based on the aforesaid property valuation report, the fair market value of the Project as at 31 May 2013 was approximately RMB3,273,500,000 (equivalent to approximately HK$4,037,121,539). According to the property valuation report, the valuer has valued the Project by direct comparison approach by making reference to comparable sales evidences as available in the relevant market and has also taken into account the expended construction costs and the construction costs that will be expended to complete the development of the Project so as to reflect the quality of the Project upon completion of development. By taking into account of the book value of the Project as at 31 May 2013 (without taking into account of the financial obligation of Listar under the Baitak SPA) of approximately HK$2,464,199,833, there is a valuation surplus in the Project of approximately HK$1,572,921,706. The total fair market value of the Listar Group as at 31 May 2013 was approximately HK$1,673,972,930 which was calculated by summation of (1) the net asset value of the Listar Group as at 31 May 2013 (i.e. approximately HK$101,051,224); and (2) the valuation surplus in the Project (i.e. approximately HK$1,572,921,706). The net Consideration after deduction of 27% of the Total Shareholder Loan of approximately HK$256,620,081 (equivalent to approximately RMB208,080,393) as at 31 May 2013 on a dollar-for-dollar basis will be approximately HK$491,977,070 (equivalent to approximately RMB398,919,607). The total fair market value of 27% interest in Listar Group as at 31 May 2013 (without taking into account of the financial obligation of Listar under the Baitak SPA) was approximately HK$451,972,691. Accordingly, there is a premium of approximately HK$40,004,379 (representing approximately 8.9% premium over the total fair market value of 27% interest in the Listar Group).

Subsequent to the completion of the disposal of 30% Listar to Baitak on 31 December 2012, Listar assumed the financial obligation of payment of guaranteed return at the rate of 12% internal rate of return (IRR), on an accrual basis, of which (a) the equity portion in an amount of US$123,594,126 (equivalent to approximately HK$957,990,430, basing on the exchange rate of HK$7.7511 = US$1 as at 31 December 2012) of the consideration (being US$160,380,314 equivalent to approximately HK$1,244,230,476), which was derived from the consideration after deduction of the shareholder's loan portion (being US$36,786,188 equivalent to approximately HK$285,133,424, basing on the exchange rate of HK$7.7511 = US$1 as at 31 December 2012) (the consideration comprised of equity portion and shareholder's loan portion) and was used for direct pay off the indebtedness owing to Baitak under LWD MTQ Agreements on a dollar-for-dollar basis, and the equity portion became a financial liability of Listar (such financial liability led Listar Group to changing the condition from a net asset value of approximately HK$101,051,224 to a net liability of approximately HK$858,051,721); and (b) the guaranteed return of 12% IRR on the consideration of US$160,380,314 (equivalent to approximately HK$1,244,230,476) for five (5) months (from 1 January 2013 to 31 May 2013) being an amount of approximately US$8,430,865 (equivalent to approximately HK$65,406,651) was capitalized as book value of the Project (as a result of the capitalization of the guaranteed return of 12% IRR, the book value of the Project increased from HK$2,464,199,833 to HK$2,529,606,486).

Details of the effect of financial obligation of Listar under the Baitak SPA on the total fair market value of the Listar Group as at 31 May 2013 are set out below.

By taking into account of the book value of the Project as at 31 May 2013 (by taking into account of the financial obligation of Listar under the Baitak SPA) of approximately HK$2,529,606,486, there is a valuation surplus (by taking into account of the financial obligation of Listar under the Baitak SPA) in the Project of approximately HK$1,507,515,053. The total fair market value of the Listar Group as at 31 May 2013 (by taking into account of the financial obligation of Listar under the Baitak SPA) was approximately HK$649,463,332 which was calculated by the summation of (1) net liabilities of Listar Group as at 31 May 2013 (i.e. approximately HK$858,051,721); and (2) the valuation surplus in the Project (i.e. approximately HK$1,507,515,053). The net Consideration after deduction of 27% of the Total Shareholder Loan of approximately HK$256,620,081 (equivalent to approximately RMB208,080,393) as at 31 May 2013 on a dollar-for-dollar basis will be approximately HK$491,977,070 (equivalent to approximately RMB398,919,607). The total market value of 27% interest in Listar Group as at 31 May 2013 (by taking into account of the financial obligation of Listar under the Baitak SPA) was approximately HK$175,355,100 and has no material change as of the Latest Practicable Date. Accordingly, there is a premium (by taking into account of the financial obligation of Listar under the Baitak SPA) of approximately HK$316,621,970 (representing approximately 181% premium over the total fair market value of 27% interest in the Listar Group).

Having considered the above, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent to Completion

Completion is conditional upon:

(i) the Purchaser or its holding company having obtained all necessary approvals, consents, permits, authorizations, waivers or filing of any kind from the relevant government authorities in accordance with the applicable laws, rules and regulations in the PRC;

(ii) the Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM as set out in the Undertaking Letter;

(iii) the Independent Shareholders having approved the Transaction Documents (including the Letter Agreement) that are to be signed by the Group and Baitak (as the case may be) upon Completion and the transactions contemplated thereunder at the SGM;

(iv) the Vendor having provided the Purchaser with any and all necessary documents, the contents of which shall be satisfactory to the Purchaser, for ensuring that the Purchaser will be the legal and beneficial owner of the Acquired Interests;

(v) the warranties given by the Vendor and the Company as set out in the Sale and Purchase Agreement remaining true and accurate and not misleading;

(vi) there having no material breach of undertakings as set out in the Sale and Purchase Agreement; and

(vii) there having occurred no termination event in the Baitak SPA or material adverse change in the Listar Group.

Summary of the termination events is as follows:

(1) Failure to pay any amount payable under the Baitak SPA when due;

(2) Failure to perform or comply with any other obligation expressed in the Baitak SPA and such failure is not remedied within fifteen (15) days after Baitak giving notice;

(3) Misrepresentation;

(4) Cross default;

(5) Insolvency events;

(6) Insolvency proceedings;

(7) Any judgment in excess of US$1,000,000 remains unstayed or unsatisfied for fourteen (14) business days;

(8) Creditor's process — any expropriation, attachment, sequestration, distress or execution affects any assets having an aggregate value of US$1,000,000 which is not discharged within fourteen (14) business days;

(9) The whole or any material part of the Project is abandoned by the Project Company;

(10) The Project Company ceases to have the exclusive and unrestricted right to use the land site or the government agency takes steps to repudiate the land grant contracts and land use right certificates in respect of the Project;

(11) Expropriation;

(12) Repudiation;

(13) It is unlawful for any obligor to perform or comply with any material obligations under the Baitak SPA;

(14) The security documents cease to be valid, in full force and effect or cease to give Baitak all of the material rights, powers and privileges purported to be created thereby;

(15) The registered capital of the Project Company is not fully paid up by 31 December 2012 or within any applicable grace period (not exceeding twelve (12) months);

(16) The occurrence of a guarantor termination event; and

(17) The occurrence of a material adverse change.

As at the Latest Practicable Date, the conditions of (i), (iv), (v), (vi) and (vii) have been fulfilled. The Purchaser shall have right to waive the conditions (v) to (vii), but all such conditions have been fulfilled as mentioned above. Therefore, no waiver of any such condition is required.

If the conditions set out above shall not have been satisfied by 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall terminate (other than certain continuing provisions, such as those regarding confidentiality, notices and governing law etc.) automatically.

Completion

Completion shall take place on the Completion Date.

Information on the Listar Group

Listar is a company incorporated in the British Virgin Islands on 27 July 1993 with an authorized share capital of US$40,000,000 divided into 34,000,000 Class A Shares and 6,000,000 Class B Shares of US$1 each, of which 14,000,000 Class A Shares and 6,000,000

Class B Shares have been issued as at the Latest Practicable Date. As at the Latest Practicable Date, Listar is a 70% owned subsidiary of the Vendor. Baitak owns 30% shareholding of Listar. Listar is an investment holding company holding the entire issued share capital of Honest Link.

Honest Link is a company incorporated in Hong Kong on 26 May 1992 with an authorized share capital of HK$10,000,000 divided into 10,000,000 shares of HK$1 each, of which 1,000 shares have been issued as at the Latest Practicable Date. As at the Latest Practicable Date, Honest Link is a wholly-owned subsidiary of Listar. Honest Link is an investment holding company and its main assets are the entire equity interests in the Project Company.

The Project Company is a sino-foreign co-operative joint venture established in the PRC with registered capital of US$42,000,000. Its approved business scope is to develop, construct, sell, lease out and manage self-developed commodity properties and the related ancillary facilities on the Site. As at the Latest Practicable Date, the Project Company is wholly-owned by Honest Link and the main asset of the Project Company is the Project.

The Site having an area of approximately 615,000 sq.m., is designated for residential development. The Project namely "Free Man Garden" situated at the Site, having gross floor area of approximately 1,036,000 sq.m., will be developed in 5 phases. The gross floor area of phase 1 of the Project is approximately 298,000 sq.m. of which a saleable area of approximately 210,000 sq.m. is for residential. The pre-sale of residential premises in phase 1 was launched in May 2012, having a total saleable area of approximately 205,000 sq.m., and approximately 140,000 sq.m. of saleable area was sold which derived sales proceeds of approximately HK$1,492,621,000 (equivalent to approximately RMB1,210,292,000) as at 31 May 2013. The aforesaid sales proceeds will be recognized as revenue upon the completion of handover of the units to the purchasers, which is expected to be taken place by the end of 2013.

By taking into account of the financial obligation of Listar under the Baitak SPA, set out below is the consolidated financial information of Listar for the two years ended 31 December 2012 and for the five (5) months ended 31 May 2013:

	As at/for the five (5) months ended 31 May 2013	**As at/for the year ended 31 December 2012**	**As at/for the year ended 31 December 2011**
	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Net assets/(liabilities)	(858,052)	(831,145)	170,363
Loss before taxation	(36,478)	(47,801)	(34,333)
Loss after taxation	(36,478)	(47,801)	(34,333)

Information on the Group and reason for the Disposal

The Group is principally engaged in property development, culture and media business and its listed subsidiary, Sino-i, is engaged in corporate IT application services.

As at the Latest Practicable Date, the repayment conditions of the facilities under the LWD MTQ Agreements as disclosed in the October Announcement are as follows:

(1) US$160,380,314 (equivalent to approximately HK$1,244,230,000) being the consideration for the disposal of 30% Listar Properties Limited ("**Listar**") was applied towards the satisfaction of the LWD MTQ Secured Obligations as mentioned in the October Announcement.

(2) US$106,000,000 (equivalent to approximately HK$822,348,000) will be settled by the Consideration after Completion on a dollar-for-dollar basis. The Company paid Baitak a sum of approximately US$8,650,000 (equivalent to approximately HK$67,107,000) on 23 August 2013, of which approximately US$7,309,318 was used to fully settle the difference between US$106,000,000 and approximately US$98,690,682. The remaining balance of approximately US$1,340,682 (equivalent to approximately HK$10,401,000) will be used to settle the sums on a dollar-for-dollar basis to be paid to Baitak on or before 31 December 2013 as mentioned below.

(3) US$35,000,000 (equivalent to approximately HK$271,530,000) out of US$36,785,000 (equivalent to approximately HK$285,378,000) was settled on 15 January 2013. Both Baitak and the Vendor have mutually agreed that the balancing sum of US$1,785,000 (equivalent to approximately HK$13,848,000) will be settled on or before 31 December 2013 or any other later date to be further mutually agreed.

(4) Both Baitak and the Vendor have mutually agreed that the sums of US$5,406,000 (equivalent to approximately HK$41,940,000), US$40,277,148 (equivalent to approximately HK$312,470,000) and US$7,270,574 (equivalent to approximately HK$56,405,000) will be settled on or before 31 December 2013 or any other later date to be further mutually agreed.

By taking into account of the total payables of approximately HK$424,663,000 comprising HK$13,848,000, HK$41,940,000, HK$312,470,000 and HK$56,405,000, and of the remaining balance of approximately HK$10,401,000 derived subsequent to the settlement of the difference between the Consideration and US$106,000,000 as aforesaid, the total net payables under the LWD MTQ Agreements will be approximately HK$414,262,000.

In addition to the above mentioned facilities under the LWD MTQ Agreements, another facility in a total sum of US$40,000,000 (equivalent to approximately HK$310,320,000) was provided by CITIC Capital, the repayment date of which has been extended from 13 September 2013 to 13 December 2013.

As at 31 August 2013, the Group's available funds were approximately HK$210 million. The Group has obtained an approval of new unsecured loan facility of RMB200 million (equivalent to approximately HK$247 million) from a bank in the PRC in August 2013. Terms and conditions of the aforesaid facility are in the finalization stage, and it is expected that the aforesaid facility will be made available to the Group by October 2013. As a result, the Group may use its available funds of approximately HK$457 million to settle the aforesaid US$40 million (equivalent to approximately HK$310 million) due to CITIC Capital. Apart from the aforesaid facility of approximately HK$247 million, the Group has obtained a facility letter from another bank in the PRC, in respect of a loan facility of RMB1,200 million (equivalent to approximately HK$1,480 million), to be secured by a plot of land site on which Phase 3 of "The Peninsula" is to be erected, which is expected to be available by the end of December 2013. The approval procedures including terms and conditions of the facility of approximately HK$1,480 million are being processed by the bank, which are expected to be completed by the end of December 2013. Upon the facility of approximately HK$1,480 million is made available to the Group, it will be used for settlement of the total net payables of approximately HK$414 million under the LWD MTQ Agreement. Other than the two aforesaid loan facilities, there is no formal negotiation with banks in the PRC for additional loan facilities. In consideration of the above, the Group has no immediate intention to conduct any fund-raising activities to raise additional funds for satisfying the facilities under the LWD MTQ Agreements when due, however, in the event that the sales proceeds from the Group's various businesses e.g. the Project, "The Peninsula" and cinema operation are not sufficient for the Group's working capital, and that the aforesaid banking facilities of approximately HK$247,000,000 and HK$1,480,000,000 are not available, the Group would consider to dispose of some of its assets, e.g. plot(s) of bare land where "The Peninsula" is located, and/or raise funds by other alternatives, e.g. borrowings from other financiers and issuance of derivatives, e.g. convertible bonds, exchangeable bonds, rights issue, warrants and etc. As at the Latest Practicable Date, the Group has no intention to further dispose of any interest in Listar.

The Project consists of five (5) phases in total. Phase 1 has been launched to the market for pre-sale since May 2012, and approximately 140,000 sq.m. out of the total saleable area of approximately 205,000 sq.m. have been pre-sold. Phase 1 is expected to be completed and delivered to the purchasers by the end of 2013. Construction works of Phase 2 are expected to be taken place by the end of 2013, and to be completed in the first quarter of 2015. Assuming the economic and environmental conditions (including market sentiment and governmental controlling measures and policies) are relatively stable, the expected completion time for Phases 3, 4 and 5 is the second quarter of 2016, the second quarter of 2017 and the fourth quarter of 2017 respectively.

The construction works of each phase of the Project are to be financed by the construction loans from banks in the PRC. The guaranteed annual return being 10% p.a. for the Purchaser and the guaranteed return being 12% IRR for Baitak will be satisfied by the sales proceeds of each phase of the Project that each of the Purchaser and Baitak is entitled in accordance with their respective shareholding in Listar (being 27% and 30% respectively). In the event that the sales proceeds of any phase of the Project that each of the Purchaser and Baitak entitled are not sufficient to satisfying the respective guaranteed return, the Vendor will use the sales proceeds that it is entitled (being 43%) in each phase of the Project to top up the guaranteed return for the Purchaser and Baitak. Since the aforesaid guaranteed returns are guaranteed by the Company, the Company will be responsible for paying such returns when they are due. The Company may use its own funds to satisfy such returns by the sales proceeds to be generated from Phase 3 of the property project in Shenzhen, namely "The Peninsula". The Company may also use the sales revenue generated from its cinema business to satisfy the aforesaid return when they are due. In addition, the Company will use its own fund to settle the unpaid capital of the Project Company, which is approximately HK$161,225,000, by the end of 2013.

As disclosed in the October Announcement, the Group is required to pay US$106,000,000 to Baitak for discharging its obligations under the LWD MTQ Agreements, and the funds for payment of the aforesaid amount might be raised by the Group by way of disposal of further interest in Listar. Subsequent to the approval by the shareholders in the SGM of the Company on 7 December 2012, the Company started to source potential purchasers of Listar. Due to the austerity measures adopted by the government in the property market in the PRC, sourcing of potential purchasers was not in a progressive manner. The criteria of new investor in Listar that Baitak is willing to cooperate with have further limited the choice in identifying potential purchasers of Listar. Eventually, the Purchaser showed preliminary interest in the Project in about April 2013. The Purchaser's holding company is a state-owned enterprise that should strictly follow internal governing policy and system in each step of negotiation in investment in Listar, therefore, the progress of negotiation was in a sluggish manner in the past several months. Moreover, the value of the Project assessed by the Purchaser is lower than that assessed by the Company as the Purchaser has taken into account the impact of recent downturn of property market in the PRC. As a result, the consideration for 19% of issued share capital of Listar and 19% of the shareholder's loan due and owing by Listar to the Vendor as disclosed in the October Announcement is much lower than target consideration of US$100,700,000 (equivalent to approximately HK$781,230,600). Therefore, the Company has to dispose of a higher portion of issued share capital of Listar and the shareholder's loan due from Listar to the Vendor for a higher consideration closing or equal to the sum of US$100,700,000 (equivalent to approximately HK$781,230,600). After negotiations with the Purchaser, the Purchaser is willing to pay up to about RMB607,000,000 (equivalent to approximately HK$748,597,151) which is equivalent to about 27% of issued share capital of Listar and 27% of the Total Shareholder Loan. The Consideration is to be used for such payment, and the remaining balance of the aforesaid amount after settlement by the Consideration will be approximately US$7,309,318 (equivalent to approximately HK$56,705,689) which is already settled by the Company on 23 August 2013. Property investment and development is one of the main businesses of the Group, and also the main source of revenue of the Group.

In addition to the Project, the Group owns another large scale property project in Shenzhen, the PRC, namely "The Peninsula" which has 5 phases in total. Phases 1 and 2 have been completed and only a small number of units of Phase 2 remain unsold. The estimated commencement and completion periods of construction works of Phases 3, 4 and 5 of "The Peninsula" are as follows:

Phase	Commencement Period	Completion Period
3	1st quarter of 2014	1st quarter of 2016
4	2nd quarter of 2015	2nd quarter of 2017
5	3rd quarter of 2016	3rd quarter of 2018

The value of "The Peninsula" is about 3.2 times of that of the Project.

As at 30 June 2013, there were about 3,900 sq.m. of the saleable area of the residential units of Phase 2 of "The Peninsula" remain unsold, and about 6,900 sq.m. of the saleable area of the commercial units of Phases 1 and 2 of "The Peninsula" remain unsold. The estimated sales proceeds from the aforesaid residential and commercial units of "The Peninsula" would be approximately RMB136,600,000 (equivalent to approximately HK$169,000,000) and RMB488,500,000 (equivalent to approximately HK$603,000,000) respectively, which are expected to be received by the end of first quarter of 2014 and of fourth quarter of 2014 respectively. In addition, the estimated sales proceeds from the Project would be approximately RMB668,500,000 (equivalent to approximately HK$824,443,000) which is expected to be derived in about the end of 2013. Registered capital of the project company established for "The Peninsula" has been fully paid up. Construction cost of each phase of "The Peninsula" is financed by construction loans from banks and other financiers in the PRC. The Group will continue to engage in the property development business upon Completion. In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Disposal are fair and reasonable, which have been arrived at after arm's length negotiations and are in the interests of the Company and the Shareholders as a whole.

Financial effect of the Disposal

On 31 December 2012, the Vendor disposed of 30% equity interests and 30% shareholder loans in Listar (collectively, referred to as "30% Listar Interest") to Baitak at a cash consideration of approximately US$160,380,000 (equivalent to approximately HK$1,244,228,000). The disposal of 30% Listar Interest was considered as a collateralized loan for the financial restructuring of a liability due to Baitak by the Group. On 28 June 2013, the Vendor entered into a conditional sale and purchase agreement with the Purchaser for the disposal of 27% equity interests and 27% shareholder loans in Listar (collectively, referred to as "27% Listar Interest") at a cash consideration of RMB607,000,000 (equivalent to approximately HK$748,597,151). As a result of the disposal of 27% Listar Interest, both the disposal of 30% Listar Interest and 27% Listar Interest will be considered as a series of disposal by considering that the Company will lose control of Listar on the Completion Date.

Resulting from the loss control of Listar after the Completion, Listar Group will only be an associate of the Company. Accordingly, the financial results and positions of Listar Group will be deconsolidated from, but such will be recognized on the Completion Date at its fair value and subsequently be accounted for by equity method in, the consolidated financial statements of the Group. Set out in Appendix II to this circular is the unaudited pro forma financial information of the Remaining Group (the "Information") which illustrates the unaudited pro forma effect of the Disposal as if it had taken place on 30 June 2013 (in the case of the unaudited pro forma consolidated statement of financial position) and on 1 January 2012 (in case of the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows).

Based on the Information, the effect of the Disposal is expected to result in (i) an increase in the Group's net profit by approximately HK$1,147 million for the year ended 31 December 2012, including a gain on the Disposal (before transaction cost and tax) of approximately HK$1,134 million (the difference between a gain on the Disposal before transaction cost and tax of approximately HK$465 million as announced on 28 June 2013 by the Company and the gain on the Disposal of approximately HK$1,134 million is 30% Listar Interest be no longer be treated as a collateralized loan, but it is considered as a disposal on the Completion Date as mentioned above); (ii) a decrease in the Group's total assets by approximately HK$2,539 million as at 30 June 2013; and (iii) a decrease in the Group's total liabilities by approximately HK$3,718 million as at 30 June 2013. The gain on the Disposal upon Completion will be different from the gain on the Disposal of approximately HK$1,134 million because the gain on the Disposal upon Completion will be calculated by reference to the fair market value of Listar Group on the Completion Date but no longer by referring to the fair market value of Listar Group on a pro-forma basis, i.e. as if the Disposal were completed on 31 December 2012.

The following adjustments represent the recognition of the gain on the Disposal as if the Disposal were completed on 31 December 2012:

	HK$'000
Cash consideration (RMB607,000,000)	754,975
Fair value of the remaining 43% equity interest in the Listar Group	684,258
Net assets of the Listar Group (excluding intercompany balances with the Remaining Group, and included fair value adjustment and relevant deferred tax liability)	(401,751)
Goodwill attributable to the Listar Group	(143,111)
43% shareholder loan due from the Listar Group attributable to the Remaining Group	231,902
The amount due from the Listar Group	24,723
The Group's liability assumed for paying the unpaid capital	(161,225)
Re-classification of translation reserve upon disposal of the Listar Group	143,954
Gain on the Disposal (excluding transactions costs)	1,133,725

As at the Latest Practicable Date, the Group had no intention to dispose of its remaining interest in Listar upon Completion.

Use of proceeds from the Disposal

The entire amount of the Consideration will be used to discharge the Group's payment obligation under the LWD MTQ Agreements.

Listing Rules implications in relation to the Disposal

As the applicable percentage ratios for the Disposal (when aggregated with the disposal of the 30% shareholding of Listar by the Vendor to Baitak as disclosed in the October Announcement) under the Listing Rules are more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

CONNECTED TRANSACTIONS

Upon Completion, the Purchaser shall become a 27% shareholder of Listar and thus be regarded as a connected person of the Company under the Listing Rules. At Completion, the Vendor shall enter into other Transaction Documents — the Shareholders' Agreement and the Deed of Covenants, which will be secured by the Security Documents. The transactions contemplated under the aforesaid Transaction Documents will constitute connected transactions of the Company (being the Connected Transactions) under Chapter 14A of the Listing Rules, which are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

Principal terms of the Shareholders' Agreement and the Deed of Covenants to be executed at Completion are set out below:

(A) The Shareholders' Agreement

Parties:

(1) the Purchaser;

(2) the Vendor;

(3) Baitak; and

(4) Listar

Principal terms:

(a) Business of the Listar Group

The sole business of the Listar Group shall be the development and operation of the Project.

(b) Finance for Listar

Unless Listar and its all shareholders otherwise agree in writing, all loans shall be lent to Listar by its shareholders on a pro rata basis in proportion to the respective outstanding amounts of such shareholder loans. Listar may raise capital and obtain financing to meet the funding requirements of the Listar Group for working capital or other financial support by such means as the board of directors determines from time to time.

(c) Board representation

The number of directors of Listar shall be seven (7), of which three (3) directors shall be appointed by the Vendor, and each of the Purchaser and Baitak shall appoint two (2) directors. The chairman shall be nominated by Baitak but he shall have no casting vote in case of equality of votes.

(d) Project management committee

The shareholders of Listar agree that the board of directors of the Project Company shall establish a project management committee (the "**PMC**") to supervise the management and operations of the Project Company and the Project. The PMC shall consist of six (6) members, and each of the Vendor, the Purchaser and Baitak shall appoint two (2) members thereof.

(e) Right of first offer

Each shareholder of Listar grants to the other shareholders a right of first offer with respect to the shares of Listar held by such shareholder and the shareholder loans owing to such shareholder (on a pro rata basis in proportion to the prevailing shareholding percentage of the other shareholders).

(f) Rights of first offer on future equity offerings

Listar grants to each shareholder a right of first offer with respect to future issues by Listar of any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital and with respect to any future borrowing by Listar of any shareholder loans in proportion to such shareholder's percentage holding of shares in Listar from time to time.

(g) Dividend

Subject to the terms of the Transaction Documents, the initial dividend policy of each Listar Group company shall be to distribute a cash dividend equivalent to all net after-tax distributable profit, having regard to the profitability of the Listar Group and any statutory requirement for reserves of the Listar Group.

(h) Duration

The term of the Shareholders' Agreement shall extend until terminated by operation of law or by mutual agreement of Listar and its shareholders or in accordance with the terms of the Shareholders' Agreement.

(i) Termination

The Shareholders' Agreement shall terminate if either the Vendor or the Purchaser or Baitak ceases to hold any shares of Listar; or upon the liquidation or the making of an order for the winding-up of Listar (other than for the purpose of reconstruction or amalgamation).

Reasons for entering into the Shareholders' Agreement:

For the purpose of listing out (i) rights and obligations of the Vendor, the Purchaser and Baitak in the capacity of shareholders of Listar; and (ii) terms and conditions upon which the Vendor, the Purchaser and Baitak are investing in Listar, the Vendor, the Purchaser and Baitak agreed to enter into the Shareholders' Agreement upon Completion. As such, the Vendor, the Purchaser and Baitak's rights and obligations in their respective investment in Listar can be securely protected and governed by the Shareholders' Agreement.

Based on the above, the Directors (including the independent non-executive Directors who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having considered the advice from the Independent Financial Adviser) are of the view that the terms of the Shareholders' Agreement are on normal commercial terms based on arm's length negotiations between the Group, the Purchaser and Baitak, which are no less favourable to the Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the Shareholders' Agreement are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

(B) The Deed of Covenants

Parties:

(1) the Vendor;

(2) the Purchaser;

(3) Baitak;

(4) the Company; and

(5) Listar

Principal terms:

(a) Baitak IRR make-whole

It shall be construed in the same manner as those set out in the Baitak Deed of Covenant, and the summarized terms of it have been set out in the October Announcement.

(b) Baitak interim cash distributions

It shall be construed in the same manner as those set out in the Baitak Deed of Covenant, and the summarized terms of it have been set out in the October Announcement.

(c) Baitak profit distributions

It shall be construed in the same manner as those set out in the Baitak Deed of Covenant, and the summarized terms of it have been set out in the October Announcement.

(d) CITIC guaranteed return

The Vendor shall ensure that during the period of five (5) years ("**Guaranteed Period**") commencing from the date on which the Consideration is fully paid by the Purchaser to the Vendor in accordance with the Sale and Purchase Agreement, the Vendor shall guarantee the Purchaser that the Purchaser can recover and receive a return ("**Guaranteed Return**"), whether by way of distribution of dividends or repayment of shareholder's loan by Listar, Honest Link and/or the Project Company or cash payment by the Vendor with its own funds to make the shortfall (if any), in the amount of the total amount of the Consideration together with a return on the total amount of the Consideration or the balance of the Consideration (as the case may be) at a rate of return of 10% per annum (the rate of 10% per annum being "**Guaranteed Return Rate**"). The Guaranteed Return Rate was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (1) the internal rate of return of 12% per annum that Baitak was entitled in the Baitak SPA; and (2) the borrowing costs of the PRC property developers, in particular the bond yields and coupon rate of the US$ denominated bonds issued by the PRC property developers listed on the Stock Exchange. The payment of the Guaranteed Return shall be operated as follows: during the Guaranteed Period, the Vendor shall make cash distribution to the Purchaser through Listar, Honest Link and/or the Project Company, within five (5) business days after 31 December of each calendar year (each a "**Cash Distribution Date**") and the last day of the Guaranteed Period in the last year. The Vendor shall covenant with the Purchaser that the cash distribution on each Cash Distribution Date shall be an amount not less than the total sum ("**Guaranteed Total Annual Return**") of (i) an amount ("**Guaranteed Annual Return"**) calculated at the total amount of the Consideration or any balance of the Consideration (as the case may be) multiplied by the Guaranteed Return Rate and (ii) 15% of the total amount of the Consideration ("**Consideration Annual Recovery**") (by taking into account of (i) and (ii) above, the implied internal rate of return is 10% per annum during the Guaranteed Period). Any shortfall of the Guaranteed Total Annual Return in each Cash Distribution Date shall be made up by the Vendor with its own funds. Any cash distribution made on any Cash Distribution Date in excess of the Guaranteed Total Annual Return ("**Excess Amount**") shall be treated as further recovery of the Consideration and shall reduce its balance for calculating the Guaranteed Annual Return for the next calendar year during the Guaranteed Period. In the first year of the Guaranteed Period (i.e. 2013), the Guaranteed Annual Return shall be calculated on a pro-rata basis from the date of full payment of the Consideration to 31 December 2013. Upon expiration of the Guaranteed Period, if the aggregate sums of the Consideration Annual Recovery and the Excess Amount cannot set off the Consideration in full and/or any sum of the Guaranteed Annual Return has not been fully received by the Purchaser, the Vendor shall make up the difference with its own funds so as to ensure that the Purchaser can receive the Consideration and the aggregate sum of the Guaranteed Annual Return as shall be received by the Purchaser during the Guaranteed Period.

Upon the Purchaser has fully recovered and received the total amount of the Consideration and Guaranteed Return, the Purchaser agrees to transfer unconditionally the profit distribution rights in relation to 9% of the entire issued share capital of Listar held by it (hence, including 9% indirect profit distribution rights in the Project Company) to the Vendor as soon as possible (for the avoidance of doubt, the foregoing transfer of rights will not affect in any aspect the Purchaser's other rights and interests in and to its shareholding in Listar, and the foregoing transfer of rights will not be in force if the Purchaser no longer holds any of the Acquired Interests).

Despite the Vendor will cease its control in Listar and the Purchaser can recover and receive the Guaranteed Return, the Board is of the view that there is no direct correlation between the aforesaid two matters. Guaranteed Return shall be regarded as a kind of return guaranteed to an investor or shareholder of Listar, which is derived by a commercial decision reached between the Vendor and the Purchaser.

Given the sum of the Guaranteed Annual Return and the Consideration Annual Recovery will exceed the Consideration and the Company will cease its control in Listar, the Board is of the view that this term is fair and reasonable and in the interest of both the Company and Shareholders because of the following:

(1) The implied IRR of the Guaranteed Total Annual Return is 10% p.a. which a competitive rate by comparing with the bond yields of bonds set out below.

(2) Upon Completion, the Consideration will be used for settlement of the financial obligations of the Group under the LWD MTQ Agreements, therefore, the overall liabilities of the Group are reduced.

(3) Upon Completion, the Purchaser will then be a shareholder of Listar, who will then be entitled to shareholder's rights, including distribution entitlement in accordance with the shareholding interest amongst each shareholder of Listar. Although Listar will no longer be a subsidiary of the Company upon Completion, the Guaranteed Total Annual Return may be settled directly by the distribution entitlement that the Purchaser as a shareholder shall have, i.e. the Guaranteed Total Annual Return may not be a financial obligation to the Company.

(4) Listar is a holding company of the Project Company, i.e. its sole asset is the Project. Listar's value will be zero upon sales of all units under the Project. It would not be an issue whether Listar is a subsidiary of the Company or not. Upon Completion, the Company is still entitled to 43% Listar, i.e. 43% distribution entitlement of all sales proceeds to be generated by the Project.

(5) The Purchaser is a wholly-owned subsidiary of CITIC Group, which is a renowned state-owned corporation in the PRC, conducting various businesses both domestic and overseas. Real estate is one of the main businesses of CITIC Group. It is expected that the Project will be benefited from CITIC Group's solid experience in project construction, management and marketing strategies in addition to the added value of the brand name of CITIC Group.

Stock Code	**US$ Non-Investment Grade Bond (China/Hong Kong)**	**Yield To Maturity***
1668.HK	China South City 13.5% 10/17/2017 callable 10/17/2015 @ 106.75	11.37%
1668.HK	China South City 13.5% 01/14/2016	11.37%
845.HK	Glorious Property 13.25% 03/04/2018 callable 03/04/2016 @ 106.625	12.45%
845.HK	Glorious Property 13.0% 10/25/2015	10.16%
1638.HK	Kaisa Group Holdings 10.25% 01/08/2020 callable 01/08/2017 @ 105.125	9.55%
1638.HK	Kaisa Group Holdings 8.875% 03/19/2018 callable 03/19/2016 @ 104.44	8.42%
1638.HK	Kaisa Group Holdings 12.875% 09/18/2017 callable 09/18/2015 @ 106.438	8.62%
884.HK	CIFI Holdings 12.25% 04/15/2018 callable 04/15/2016 @ 106.12	10.10%
1777.HK	Fantasia Holdings 10.75% 01/22/2020 callable 01/22/2017 @ 105.38	10.31%
1777.HK	Fantasia Holdings 13.75% 09/27/2017	9.42%
1777.HK	Fantasia Holdings 14.0% 05/12/2015	7.00%

Stock Code	US$ Non-Investment Grade Bond (China/Hong Kong)	Yield To Maturity*
1628.HK	Yuzhou Properties 11.75% 10/25/2017 callable 10/25/2015 @ 105.875	8.45%
1628.HK	Yuzhou Properties 13.5% 12/15/2015 callable 12/15/2013 @ 106.75	8.65%
1238.HK	Powerlong Real Estate 11.25% 01/25/2018 callable 01/25/2016 @ 105.62	11.05%
1238.HK	Powerlong Real Estate Holdings 13.75% 09/16/2015	9.44%
1030.HK	Future Land Development 10.25% 01/31/2018 callable 01/31/2016 @ 100	10.17%
1966.HK	China SCE Property 11.50% 11/14/2017 callable 11/14/2015 @ 105.75	8.89%
1966.HK	China SCE Property 10.50% 01/14/2016	8.32%

* *Source: Bloomberg in 5 June 2013*

By comparing with the above bond yields, the IRR of 10% lies within the range of 7.00% to 12.45% and closes to the average yield of 9.65% which is considered as fair and reasonable.

(e) Baitak release

It shall be construed in the same manner as those set out in the Baitak Deed of Covenant, and the summarized terms of it have been set out in the October Announcement.

(f) CITIC release

The Purchaser and (where applicable) the Vendor, the Company and/or Baitak shall be released from all of their respective obligations and liabilities due and owing to the Purchaser under the Deed of Covenants, and all security interests created under the Security Documents entered into pursuant to and in relation to the Sale and Purchase Agreement shall also be released and discharged, on the earlier of:

(i) the date on which the Purchaser confirms in writing that all Secured Obligations and all obligations and liabilities of the Vendor and the Company by virtue of the Guaranteed Return pursuant to Deed of Covenants have been paid, performed and discharged in full; or

(ii) the date on which the Purchaser has disposed of all of the Acquired Interests in accordance with the Transaction Documents.

Reasons for entering into the Deed of Covenants:

The Deed of Covenants lists out certain specific entitlements of the Vendor, Baitak and the Purchaser in Listar for securing their respective interests in the Project development, which is expected to be completed in about five (5) years from 31 October 2012.

Based on the above, the Directors (including the independent non-executive Directors who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having considered the advice from the Independent Financial Adviser) are of the view that the terms of the Deed of Covenants are on normal commercial terms based on arm's length negotiations between the Group, the Purchaser and Baitak which are no less favourable to the Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the Deed of Covenants are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

The obligations of the Vendor under the Sale and Purchase Agreement and other Transaction Documents (being the Secured Obligations) will be secured by the Security Documents, including the following:

(a) New HLDL Accounts Charge

Parties:

(1) Chargor: Honest Link; and

(2) Chargee: the Purchaser

The account charge:

HLDL, as a beneficial owner, assigns and agrees to assign, absolutely in favour of the Purchaser, all rights, title and interest in and to which HLDL is or become entitled in relation to the HLDL's bank account(s) and all monies at any time standing to the credit of such bank account(s).

(b) New HLDL Share Mortgage

Parties:

(1) Mortgagor: Listar;

(2) Mortgagee: the Purchaser; and

(3) Company: Honest Link

The mortgage:

Listar, as a beneficial owner, mortgages and covenants to mortgage by way of first legal mortgage 47.4% of the total issued share capital of HLDL together with all rights, monies, interest and property thereof to the Purchaser.

(c) New Listar Share Mortgage

Parties:

(1) Mortgagor: the Vendor;

(2) Mortgagee: the Purchaser; and

(3) Company: Listar

The mortgage:

The Vendor, as a beneficial owner, mortgages and covenants to mortgage by way of first legal mortgage approximately 47.4% of the Class A Shares that the Vendor's having after giving effect to the sale of the Sale Shares which represents approximately 20.4% of the entire issued share capital of Listar together with all rights, monies, interest and property thereof to the Purchaser.

(d) New Security Assignment (HLDL Shareholder Loan)

Parties:

(1) Assignor: the HLDL; and

(2) Assignee: the Purchaser

The security assignment:

HLDL, as a beneficial owner, assigns and agrees to assign absolutely in favour of the Purchaser, by way of first legal assignment, 47.4% of any and all sums for which the Project Company is indebted to HLDL at Completion and 47.4% of any and all other sums for which the Project Company may thereafter become indebted to HLDL, including but not limited to 47.4% of all advances or funds from time to time provided or made available by HLDL to the Project Company.

(e) New Security Assignment (Listar Shareholder Loan)

Parties:

(1) Assignor: Listar; and

(2) Assignee: the Purchaser

The security assignment:

Listar, as a beneficial owner, assigns and agrees to assign absolutely in favour of the Purchaser, by way of first legal assignment, 47.4% of any and all sums for which HLDL is indebted to Listar at Completion and 47.4% of any and all other sums for which HLDL may thereafter become indebted to Listar, including but not limited to 47.4% of all advances or funds from time to time provided or made available by Listar to HLDL.

(f) New Security Assignment (Vendor Shareholder Loan)

Parties:

(1) Assignor: the Vendor; and

(2) Assignee: the Purchaser

The security assignment:

The Vendor, as a beneficial owner, assigns and agrees to assign absolutely in favour of the Purchaser, by way of first legal assignment, 47.4% of any and all sums for which Listar is indebted to the Vendor at Completion (after giving effect to the sale of the disposal of the Shareholder Loan under the Sale and Purchase Agreement) and 47.4% of any and all other sums for which Listar may thereafter become indebted to the Vendor, including but not limited to 47.4% of all advances or funds from time to time provided or made available by the Vendor to Listar.

(g) New Vendor Account Charge

Parties:

(1) Chargor: the Vendor; and

(2) Chargee: the Purchaser

The account charge:

The Vendor, as a beneficial owner, assigns and agrees to assign, absolutely in favour of the Purchaser, all rights, title and interest in and to which the Vendor is or become entitled in relation to the Vendor's bank account(s) and all monies at any time standing to the credit of such bank account(s).

Reasons for entering into the Connected Transactions

The Shareholders' Agreement lists out (i) the rights and obligations of the Vendor, Baitak and the Purchaser in the capacity of shareholders of Listar; and (ii) the terms and conditions upon which the Vendor, Baitak and the Purchaser are investing in Listar. Therefore, the Vendor, Baitak and the Purchaser's rights and obligations in their respective investment in Listar can be securely protected and governed by the Shareholders' Agreement. The Deed of Covenants lists out certain specific entitlements of the Vendor, Baitak and the Purchaser in Listar for securing their respective interests in the Project development, which is expected to be completed in about five (5) years from 31 October 2012.

Based on the above, the Directors (including the independent non-executive Directors who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having considered the advice from the Independent Financial Adviser) are of the view that the terms of the Shareholders' Agreement, the Deed of Covenants and the Security Documents are on normal commercial terms based on arm's length negotiations between the Group, Baitak and the Purchaser which are no less favourable to the Group than those from independent third parties given the circumstances. Such Directors also consider the terms of the aforesaid documents are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole. No Director has abstained from voting at the relevant Board meeting approving the Connected Transactions.

Listing Rules implications in relation to the Connected Transactions

Upon Completion, the Purchaser shall become a 27% shareholder of Listar and thus be regarded as a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Shareholders' Agreement and the Deed of Covenants as secured by the Security Documents by the Group will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by binding upon each of Staverley and its Associates; and (ii) no obligation or entitlement of each of Staverley and its Associates, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case by case basis. The Connected Transactions are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

The Independent Board Committee has been established to provide recommendations to the Independent Shareholders in respect of the Connected Transactions. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in the same respect.

GENERAL

As at the Latest Practicable Date, the Purchaser does not hold any Share, but Staverley holds 4,893,197,974 Shares, representing approximately 7.13% of the total issued share capital of the Company. The Purchaser and Staverley are fellow subsidiaries as both of them are subsidiaries of CITIC Group, and Staverley is considered as an Associate of the Purchaser who will be a connected person of the Company upon Completion. Accordingly, Staverley shall abstain from voting in the relevant resolutions approving the Connected Transactions at the SGM. Save for the aforesaid, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

SGM

A notice convening the SGM to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m. on 15 October 2013 is set out on pages 132 to 135 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the form of proxy and return it to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 41 to 42 of this circular which contains its recommendation to the Independent Shareholders on the Connected Transactions.

Your attention is also drawn to the letter from the Independent Financial Adviser on pages 43 to 61 of this circular which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders regarding the Connected Transactions.

The Directors consider the terms of the Disposal and the Connected Transactions to be fair, reasonable and normal commercial in nature, and the Disposal and the Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend (i) the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Disposal and the transactions contemplated thereunder; and (ii) the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Connected Transactions.

PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to bye-law 70 of the Bye-Laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

(i) the chairman of the meeting; or

(ii) at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

According to the amended Rule 13.39(4) of the Listing Rules which became effective on 1 January 2009, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the SGM shall demand voting on the resolutions set out in the notice of SGM be taken by way of poll.

FURTHER INFORMATION

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 41 to 42 of this circular, the "Letter from Independent Financial Adviser" as set out on pages 43 to 61 of this circular and the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Nan Hai Corporation Limited
Chen Dan
Director

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.

南海控股有限公司*
NAN HAI CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 680)

24 September 2013

To the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular of the Company to the Shareholders dated 24 September 2013 (the "**Circular**"), of which this letter forms part of the Circular. Unless specified otherwise, all capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Connected Transactions and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Odysseus Capital Asia Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 43 to 61 of the Circular. Your attention is also drawn to the "Letter from the Board" of the Circular and the additional information set out in appendices to the Circular.

* *For identification purpose only*

Having considered the terms of the Connected Transactions and the transactions contemplated thereunder and the advice of the Independent Financial Adviser, we consider that the Connected Transactions and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and the Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Connected Transactions.

Yours faithfully,
The Independent Board Committee
Prof. Jiang Ping **Mr. Lau Yip Leung**
Independent non-executive Directors

The following is the full text of the letter of opinion from Odysseus Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, for the purpose of incorporation in this circular.

ODYSSEUS

ODYSSEUS CAPITAL ASIA LIMITED
Room 2112–13, Shui On Centre,
6–8 Harbour Road, Wanchai
Hong Kong

24 September 2013

To the Independent Board Committee
and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the connected transactions contemplated under the Shareholders' Agreement and the Deed of Covenants as secured by the Security Documents (together, the "Connected Transactions") which shall be entered into upon Completion of the Disposal, details of which are set out in the circular of the Company to the Shareholders dated 24 September 2013 (the "Circular") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

The Directors announced that, on 28 June 2013, the Vendor, the Company as guarantor and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor shall sell and CITIC Real Estate (Hong Kong) Development Limited ("CITIC Real Estate" or the "Purchaser") shall purchase the Acquired Interests at the Consideration (being RMB607,000,000), which shall be settled by way of cash.

Listar's principal business is the holding, through the Project Company, of the Site for property development in Guangzhou, the PRC. As at the date of the Circular, the Vendor holds 70% of the total issued share capital of Listar.

The Disposal constitutes a very substantial disposal of the Company under the Listing Rules as the applicable percentage ratios for the Disposal are more than 75% (when aggregated with the disposal of 30% shareholding of Listar by the Vendor to Baitak as disclosed in the October Announcement). Baitak is a 30% shareholder of Listar and thus a connected person of the Company under the Listing Rules. Following the Disposal, the Purchaser shall become a

27% shareholder of Listar and therefore also be regarded as a connected person of the Company under the Listing Rules. At Completion, the Vendor shall enter into the Transaction Documents, namely the Shareholders' Agreement and the Deed of Covenants, which will be secured by the Security Documents. The transactions contemplated under the aforesaid Transaction Documents will constitute connected transactions of the Company under the Listing Rules. The Connected Transactions are subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In formulating our opinion and recommendations, we have relied on the accuracy of the information and facts contained or referred to in the announcement of the Company dated 3 July 2013 as well as the representations made and materials supplied or made available by the Directors and the management of the Company. The Directors have declared in a responsibility statement set out in Appendix V contained in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied on and will continue as such at the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations. In relation to the third party expert, i.e. the independent valuer, namely Vigers Appraisal and Consulting Limited (the "Independent Valuer"), providing valuation relevant to the Disposal for inclusion in this letter, we have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules and we are not aware of any issues that shall be brought to the Independent Shareholders' attention. The steps taken by us include the followings:

(i) Discussing with the Independent Valuer with respect to their expertise and any current or prior relationships with the Company, other parties to the Sale and Purchase Agreement and connected persons of either the Company or other parties to the Sale and Purchase Agreement;

(ii) Reviewing the terms of their engagements (having particular regard to the scope of work, whether the scope of work is appropriate to the valuation required to be given and any limitation on the scope of work which might adversely impact on the degree of assurance given by the valuation report); and

(iii) Save for the information as disclosed in the Circular, we are not aware that the Company or other parties to the Sale and Purchase Agreement has made formal or informal representation to the Independent Valuer.

We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, for the purpose of this exercise, conducted any independent verification of such information or any independent in-depth investigation or audit into the business, affairs, financial position or future prospects of the Company, the Purchaser, or any of their respective subsidiaries or associates nor have we carried out any independent verification of the information provided by the Company. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Connected Transactions, we have considered the following principal factors and reasons:

1. Background of the Group and Listar

i. Information of the Group

The Company is an investment holding company whose subsidiaries are engaged in (i) property development; (ii) corporate IT application services; and (iii) culture and media services. Based on the information set out in the annual reports for the year ended December 2012 and 2011, the consolidated financial results of the Group are summarised as below:

	For the year ended 31 December (audited)	
	2012	**2011**
	HK$'000	*HK$'000*
Turnover from continuing operations	1,953,568	2,333,452
Profit/(Loss) attributable to owners of the Company from continuing and discontinued operations	(346,063)	(494,746)

	As at 31 December (audited)	
	2012	**2011**
	HK$'000	*HK$'000*
Current assets	10,876,034	9,540,971
Non-current assets	2,822,787	2,279,227
Total assets	13,698,821	11,820,198
Current liabilities	7,194,481	6,116,507
Non-current liabilities	2,652,749	1,516,171
Total liabilities	9,847,230	7,632,678
Net assets	3,851,591	4,187,520

With reference to the above table, the Group recorded a turnover from its continuing operations of approximately HK$1,953.57 million for the year ended 31 December 2012, representing a decrease of approximately 16.28% from the preceding financial year. Nonetheless, net loss attributable to owners of the Company amounted to approximately HK$346.06 million for the year ended 31 December 2012 as compared with that of approximately HK$494.75 million for the year ended 31 December 2011.

As at 31 December 2012, the Group had audited total assets of approximately HK$13,698.82 million, representing an increase of approximately 15.89% as compared with total assets as at 31 December 2011. According to its annual report for the year ended 31 December 2012, the Group's aggregated borrowings amounted to approximately HK$6,747.8 million, implying an increase of approximately 37.22%. The gearing ratio of the Group, defined as net debt divided by the sum of adjusted capital and net debt, as stated in the 2012 Annual Report of the Company, increased from approximately 51.83% as at 31 December 2011 to approximately 58.95% as at 31 December 2012.

As stated in the above mentioned annual report, the Group's property development business recorded a net loss before income tax of approximately HK$88.7 million, while a net profit before income tax of HK$108.4 million was recorded in 2011.

According to the Company's annual reports for the financial years from 2009 to 2012, the performance of the Group in property development has substantially been dependent on the sales and construction process of its property development in Shenzhen, namely "The Peninsula". In 2012, the Company recorded sales proceeds of approximately RMB73.4 million from selling residential units of Phases 2 of "The Peninsula". As at 31 December 2012, approximately 97.9% of the residential area was sold, with 43 units remained unsold, according to the annual report for the year ended 31 December 2012.

As set out in the Letter from the Board (the "Board Letter") contained in the Circular, as at the Latest Practicable Date, the repayment conditions of the facilities under the LWD MTQ Agreements as disclosed in the October Announcement are as follows:

(1) US$160,380,314 (equivalent to approximately HK$1,244,230,000) being the consideration for the disposal of 30% of Listar Properties Limited ("Listar") was applied towards the satisfaction of the LWD MTQ Secured Obligations as mentioned in the October Announcement;

(2) US$106,000,000 (equivalent to approximately HK$822,348,000) will be settled by the consideration after Completion on a dollar-for-dollar basis. The Company paid Baitak a sum of approximately US$8,650,000 on 23 August 2013, of which US$7,309,318 was used to fully settle the difference between US$106,000,000 and US$98,690,682. The remaining balance of approximately US$1,340,682 (equivalent to approximately HK$10,401,000) will be used to settle the sums on a dollar-for-dollar basis to be paid to Baitak on or before 31 December 2013 as mentioned below;

(3) US$35,000,000 (equivalent to approximately HK$271,530,000) out of US$36,785,000 (equivalent to approximately HK$285,378,000) was settled on 14 January 2013. Both Baitak and the Vendor have mutually agreed that the balancing sum of US$1,785,000 (equivalent to approximately HK$13,848,000) will be settled on or before 31 December 2013 or any other later date to be further mutually agreed; and

(4) Both Baitak and the Vendor have mutually agreed that the sums of US$5,406,000 (equivalent to approximately HK$41,940,000), US$40,277,148 (equivalent to approximately HK$312,470,000) and US$7,270,574 (equivalent to approximately HK$56,405,000) will be settled on or before 31 December 2013 or any other later date to be further mutually agreed.

As disclosed in the Board Letter, the Group's available funds were approximately HK$210 million as at 31 August 2013. The Group has obtained an approval of new unsecured loan facility of RMB200 million (equivalent to approximately HK$247 million) from a bank in the PRC in August 2013. Terms and conditions of the aforesaid facility are in the finalization stage, and it is expected that the aforesaid facility will be made available to the Group by October 2013. Apart from the aforesaid facility of approximately HK$247 million, the Group has obtained a facility letter from another bank in the PRC, in respect of a loan facility of RMB1,200 million (equivalent to approximately HK$1,480 million), to be secured by a plot of land site on which Phase 3 of "The Peninsula" is to be erected, which is expected to be available by the end of December 2013. The approval procedures including terms and conditions of the facility of approximately HK$1,480 million are being processed by the bank, which are expected to be completed by the end of December 2013. After the facility of approximately HK$1,480 million is made available to the Group, it will be used for settlement of the total net payables of approximately HK$414 million under the LWD MTQ Agreement. Other than the two aforesaid loan facilities, there is no formal negotiation with banks in the PRC for additional loan facilities. In consideration of the above, the Group has no immediate intention to conduct any fund-raising activities to raise additional funds for satisfying the facilities under the LWD MTQ Agreements when due, however, in the event that the sales proceeds from the Group's various businesses e.g. the Project, "The Peninsula" and cinema operation are not sufficient for the Group's working capital, and that the aforesaid banking facilities of approximately HK$247,000,000 and HK$1,480,000,000 are not available, the Group would consider to dispose of some of its assets, e.g. plot(s) of bare land where "The Peninsula" is located, and/or raise funds by other alternatives, e.g. borrowings from other financiers and issuance of derivatives, e.g. convertible bonds, exchangeable bonds, rights issue, warrants and etc. As at the Latest Practicable Date, the Group has no intention to further dispose of any interest in Listar.

As disclosed in the Board Letter, the guaranteed annual return for the Purchaser and Baitak will be satisfied by the sales proceeds of each phase of the Project which each of the Purchaser and Baitak is entitled in accordance with its respective shareholding in Listar (being 27% and 30% respectively). In the event that the sales proceeds of any phase of the Project that each of the Purchaser and Baitak is entitled are not sufficient to satisfying the respective guaranteed return, the Vendor will use the sales proceeds that it is entitled to (being 43%) in each phase of the Project to top up the guaranteed return for the Purchaser and Baitak. Since the aforesaid guaranteed returns are guaranteed by the Company, the Company will be responsible for paying such returns when they are due. The Company may use its own funds to satisfy such returns by the sales proceeds to be generated from Phase 3 of the property project in Shenzhen, namely "The Peninsula". The Company may also use the sales revenue generated from its cinema business to satisfy the aforesaid return.

ii. Information of the Listar Group

Listar is an investment holding company holding the entire issued share capital of Honest Link which is an investment holding company whose main assets are the entire equity interests in the Project Company. As at the date of the Circular, Listar is a 70% owned subsidiary of the Vendor. Baitak owns 30% shareholding of Listar.

The Project Company is a sino-foreign co-operative joint venture established in the PRC with registered capital of US$42,000,000. Its approved business scope is to develop, construct, sell, lease out and manage self-developed commodity properties and the related ancillary facilities on the Site. As at the date of the Circular, the main asset of the Project Company is the Project.

The Site having an area of approximately 615,000 sq.m., is designated for residential development. The Project namely "Free Man Garden" situated at the Site, having a gross floor area of approximately 1,036,000 sq.m. will be developed in 5 phases. The gross floor area of phase 1 of the Project is approximately 298,000 sq.m., of which a saleable area of approximately 210,000 sq.m. is for residential. The pre-sale of residential premises in phase 1 was launched in May 2012, having a total saleable area of approximately 205,000 sq.m.,of which approximately 140,000 sq.m. of saleable area was sold which derived sales proceeds of approximately HK$1,492,621,000 (equivalent to approximately RMB1,210,292,000) as at 31 May 2013.

By taking into account of the financial obligation of Listar under the Baitak SPA, set out below is the consolidated financial information of Listar for the two years ended 31 December 2012 and for the five (5) months ended 31 May 2013:

	As at/for the five (5) months ended 31 May 2013	**As at/for the year ended 31 December 2012**	**As at/for the year ended 31 December 2011**
	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Net assets/(liabilities)	(858,052)	(831,145)	170,363
Loss before taxation	(36,478)	(47,801)	(34,333)
Loss after taxation	(36,478)	(47,801)	(34,333)

2. Overview of the PRC property market

China is currently one of the largest housing markets in the world. According to the database of the National Bureau of Statistics of China, the total floor space of residential buildings under construction has increased by 14% year on year in 2012 to approximately 408.55 billion square meters, while the total floor space of residential buildings completed has increased by 4.9% to 21.86 billion square meters over the same period of last year.

As stated in the World Economic Outlook (April 2013) by the International Monetary Fund (IMF), the gross domestic product at current prices (GDP at current prices) of the PRC increased from approximately USD 7,321.99 billion in 2011 to approximately USD 8,227.04 billion in 2012, which was partly attributed to the stimulus package that propelled the PRC economy since the global financial crisis in 2008. Nevertheless, these stimuli have resulted in inflation, overpriced property market and escalating debts owed especially by local governments.

Meanwhile, the PRC market is facing liquidity problems due to the expectation of interest rate normalization. According to a research report published by Deutsche Bank on China Property Market dated 17 June 2013, abundant liquidity in the USD bond market since 4Q12 has compressed the yield, resulting in creating a low-interest-rate environment for refinancing and/or acquisition of new landbank. Therefore, gearing ratio of property developers generally increased due to the lower cost of capital. However, the Deutsche Bank report suggested that the situation started to reverse with the rising expectation of interest rate normalization. It is expected that the Chinese developers will have to face a higher borrowing costs, together with a slower growth rate and a tougher financial conditions.

In June 2013, both the 10-year US Treasury bond yield and the SHIBOR have already staged a meaningful increase, with overnight SHIBOR soaring from 4.599% at close of 3 June to 13.444% on 20 June. It was expected that smaller property developers may have been affected by the tighter liquidity in the market as they might not only rely on traditional bank financing which the cost of capital is generally linked to the PBOC best lending rates, but also other financing sources such as trust loans.

With reference to an article by Bloomberg News on 19 June 2013, China's one-year swap rose by the most in five years as the central bank refrained from injecting funds to the financial system to ease a cash squeeze. As stated in another Deutsche Bank PRC Real Estate market research report dated 27 June 2013, the liquidity squeeze, if continued to persist, may likely spill over to the property sector, resulting in reducing credit availability and higher cost of capital on new loans, thereby slowing sales of property.

Due to the tighter liquidity in the China market, property developers will likely come across difficulties in refinancing their higher-cost liabilities with lower-cost USD bonds. The cost of financing of the developers will thus increase, margins will drop, and the pace of growth will also slow down since there will be tighter constraints in acquiring new landbank. It also stated that there might be potential financial difficulties for those developers who focused more on property projects in the Tier-1 and bigger Tier-2 cities.

The city of Guangzhou recorded a 12.9% growth in GDP and a 3% inflation rate in 1Q2013, together with a 2.6% unemployment rate and a 27.6% increase in utilised Foreign Direct Investment, according to Greater China Property Market Report for 1Q2013 issued by Knight Frank LLP (the "Knight Frank Report"). Despite these promising figures, at the end of March 2013, the government implemented the Five New Measures in response to the seemingly over-heated market, resulting in pegging the ceiling of new-home price growth with the increase in per-capita disposable income in Guangzhou. The Guangzhou Government also regulated the home-acquiring activities of non-registered residents, by the restriction that they are only eligible to buy one home in the city, given that they are able to provide certificates proving they have resided in the city for a cumulative 12 months over the past 2 years prior to their home purchase.

Based on the above, in particular, due to the increase in supply of total floor space of residential buildings, the increased cost of capital and the tightening of policy over the property market of Guangzhou, we concur with the Directors' view that the Disposal is the most effective way to settle the payment required under the LWD MTQ Agreements and is in the interests of the Company and its Shareholders as a whole.

3. Principal terms of the Disposal and the Connected Transactions

As the completion of the Disposal is conditional upon, inter alia, the Independent Shareholders having approved the Transaction Documents that are to be signed upon the Completion and the transactions contemplated thereunder at the SGM, we have therefore considered the principal terms of both the Disposal and the Connected Transactions as a whole in order to derive our opinion.

The Sale and Purchase Agreement

The Vendor, the Company (as guarantor of the Vendor's payment obligations of the guaranteed return under the Deed of Covenants) and the Purchaser entered into the Sales and Purchase Agreement on 28 June 2013.

i. Assets to be disposed of

The assets to be disposed of under the Sales and Purchase Agreement include the Sale Shares, being 5,400,000 Class A Shares of US$1.00 each in the capital of Listar, representing 27% of the total issued share capital (the aggregate of Class A Shares and Class B Shares) of Listar as at the date of the Circular; and the Shareholder Loan, being 27% of the Total Shareholder Loan. Pursuant to the Sale and Purchase Agreement, the Total Shareholder Loan shall not exceed HK$950,444,745 as at the Completion.

ii. Consideration

The Consideration for the Acquired Interests is RMB607,000,000 (equivalent to approximately HK$748,597,151) comprising the consideration of the Shareholder Loan which shall be the face value of the Shareholder Loan on a dollar-for-dollar basis and the balance thereof shall be the consideration for the Sale Shares.

According to a property valuation report prepared by the Independent Valuer, the fair market value of the Project as at 31 May 2013 was approximately RMB3,273,500,000 (equivalent to approximately HK$4,037,121,539). Based on our discussion with the Independent Valuer, we note that in performing the valuation, the Independent Valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. We noticed that the Independent Valuer valued the Project as of 30 September 2012 at RMB3,201,500,000 (equivalent to approximately HK$3,904,268,293). This increase in value over the period was attributed to the completion of buildings, expended construction costs and pre-sale of units of the property during the same period.

Based on the fair market value of the Project determined by the Independent Valuer and the book value of the Project as at 31 May 2013 (by taking into account of the financial obligation of Listar under the Baitak SPA) of approximately HK$2,529,606,486, there is a valuation surplus in the Project of approximately HK$1,507,515,053. The total fair market value of the Listar Group as at 31 May 2013 (by taking into account of the financial obligation of Listar under the Baitak SPA) was approximately HK$649,463,332 which was calculated by the summation of (1) net liabilities of Listar Group as at 31 May 2013 (i.e. approximately HK$858,051,721); and (2) the valuation surplus in the Project (i.e. approximately HK$1,507,515,053). The net Consideration after deduction of 27% of the Total Shareholder Loan of approximately HK$256,620,081 (equivalent to approximately RMB208,080,393) as at 31 May 2013 on a dollar-for-dollar basis will be approximately HK$491,977,070 (equivalent to approximately RMB398,919,607). The total fair market value of 27% interest in Listar Group as at 31 May 2013 was approximately HK$175,355,100 and has no material change as of the date of this Circular. Accordingly, there is a premium (by taking into account of the financial obligation of Listar under the Baitak SPA) of approximately HK$316,621,970 (representing an approximately 181% premium over the net asset value of 27% interest in the Listar Group).

Having considered the current environment in the PRC property market as described above, we believe that it is very difficult and time-consuming to dispose of a minority stake in a property development project at the current market price, let alone at a premium. Furthermore, the Company had considered alternative fund raising methods in 2012 before the Disposal as disclosed in the Company's circular dated 21 November 2012. It was also stated in that circular that the Group might dispose further interests in Listar for repayment to Baitak. We therefore concur with the Directors' view that the Disposal is the most effective way to settle part of the obligations under the LWD MTQ Agreements whilst divesting part of the Project at an acceptable valuation to a reputable investor like CITIC Real Estate.

Having considered the above, we concur with the Directors' view that the Consideration with a premium of approximately HK$316,621,970 is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Connected Transactions

Upon Completion, the Purchaser shall become a 27% shareholder of Listar and thus be regarded as a connected person of the Company. At Completion, the Vendor shall enter into other Transaction Documents (including the Shareholders' Agreement and the Deed of Covenants, which will be secured by the Security Documents) with the Purchaser and Baitak, both being connected persons of the Company. The transactions contemplated under the aforesaid Transaction Documents will therefore constitute connected transactions of the Company (the ''Connected Transactions'') under Chapter 14A of the Listing Rules.

1. Principal terms of the Shareholders' Agreement

The Shareholders' Agreement shall be entered into between the Vendor, the Purchaser, Baitak and Listar to set out the rights and obligations of Baitak, the Vendor and the Purchaser in the capacity of shareholders of Listar. We consider that the principal terms and conditions contained in the Shareholders' Agreement are on normal commercial terms to govern the interests of Baitak, the Purchaser and the Vendor. We concur with the Directors' belief that the terms of the Shareholders' Agreement are determined based on arm's length negotiations between the Group, the Purchaser and Baitak which are no less favourable to the Group than those from independent third parties given the circumstances. We also consider that the terms of the Shareholders' Agreement are fair and reasonable, and are in the interests of the Company and the Independent Shareholders as a whole.

2. The Deed of Covenants

The Deed of Covenants lists out certain specific entitlements of the Vendor, Baitak and CITIC Real Estate in Listar for securing their respective interests in the Project development, which is expected to be completed in about five (5) years from 31 October 2012.

i. Baitak IRR make-whole

As agreed between the Vendor and Baitak, the Vendor shall ensure that the internal rate of return of the Baitak's investment in the Baitak Acquired Interests (the 30% shareholding of Listar acquired by Baitak as disclosed in the October Announcement) will be not less than an internal rate of return of 12% (the ''Baitak IRR'') as requested by Baitak in the October Announcement as at the earliest of (a) 31 December 2017; (b) the date on which Baitak has disposed of all of its interest in the Baitak Acquired Interests; and (c) the date on which the Project is fully completed and the Project Company has made the final distributions to its shareholders.

ii. Baitak interim cash distributions

The Vendor shall after each period of six months ending on 30 June or 31 December pay to Baitak a proportion of the available cash if any (after deducting, among others, any fees, expenses and tax incurred in relation to the Project) in respect of that period equal to the proportion of Baitak's shareholding in Listar.

iii. Baitak profit distributions

After completion of each phase of the Project and all legal procedures for distribution of the net profits of the Project Company for that phase has been completed under applicable laws and regulations in the PRC, the Vendor shall make a profit distribution with respect to profits accrued for that phase (the "Interim Profit") by Listar to its shareholders. If Listar fails to pay the Interim Profit accrued for that phase for any reason, the Vendor shall pay Baitak an amount (the "Baitak's Vendor Payment") on account of such Interim Profit distribution equal to the amount of profit distribution which Listar would otherwise have been able to pay Baitak. If, after the Vendor makes the Baitak's Vendor Payment, Listar makes a distribution to Baitak of profit to which the Baitak's Vendor Payment or any part thereof relates, Baitak shall upon demand by the Vendor pay to the Vendor an amount equal to the Baitak's Vendor Payment or the relevant part thereof in reimbursement to the Vendor.

On each date which the Interim Profit distribution or the Baitak's Vendor Payment is payable to Baitak, Excess Cash (equivalent to the Excess Cash as stated in the October Announcement) (if any) shall be used to set off the Interim Profit distribution or the Baitak Vendor's Payment on a dollar-for-dollar basis, and the Vendor shall pay Baitak the Baitak Adjustment Amount (equivalent to the Adjustment Amount as stated in the October Announcement) if applicable.

Since the above terms had been approved by the Independent Shareholders, they were reinstated in the Deed of Covenants to protect the interest of Baitak as previously agreed.

iv. CITIC guaranteed return

The Vendor shall ensure that during the period of five (5) years ("Guaranteed Period") commencing from the date on which the Consideration is fully paid by the Purchaser to the Vendor in accordance with the Sale and Purchase Agreement, the Company shall guarantee the Purchaser that the Purchaser can recover and receive a return ("Guaranteed Return"), whether by way of distribution of dividends or repayment of shareholder's loan by Listar, Honest Link and/or the Project Company or cash payment by the Vendor with its own funds to make the shortfall (if any), in the amount of the total amount of the Consideration together with a return on the total amount of the Consideration or the balance of the Consideration (as the case may be) at a rate of return of 10% per annum ("Guaranteed Return Rate").

The payment of the Guaranteed Return shall operate as follows: during the Guaranteed Period, the Vendor shall make cash distribution to the Purchaser through Listar, Honest Link and/or the Project Company, within five (5) business days after 31 December of each calendar year (each a "Cash Distribution Date") and the last day of the Guaranteed Period in the last year. The Vendor shall covenant with the Purchaser that the cash distribution on each Cash Distribution Date shall be an amount not less than the total sum ("Guaranteed Total Annual Return") of (i) an amount ("Guaranteed Annual Return") calculated at the total amount of the Consideration or any balance of the Consideration (as the case may be) multiplied by the Guaranteed Return Rate and (ii) 15% of the total amount of the Consideration ("Consideration Annual Recovery") (by taking into account of (i) and (ii) above, the implied internal rate of return is 10% per annum ("Implied IRR") during the Guaranteed Period). Any shortfall of the Guaranteed Total Annual Return in each Cash Distribution Date shall be made up by the Vendor with its own funds.

Any cash distribution made on any Cash Distribution Date in excess of the Guaranteed Total Annual Return ("Excess Amount") shall be treated as further recovery of the Consideration and shall reduce its balance for calculating the Guaranteed Annual Return for the next calendar year during the Guaranteed Period. In the first year of the Guaranteed Period (i.e. 2013), the Guaranteed Annual Return shall be calculated on a pro-rata basis from the date of full payment of the Consideration to 31 December 2013.

Upon expiration of the Guaranteed Period, if the aggregate sums of the Consideration Annual Recovery and the Excess Amount cannot set off the Consideration in full and/or any sum of the Guaranteed Annual Return has not been fully received by the Purchaser, the Vendor shall make up the difference with its own funds so as to ensure that the Purchaser can receive the Consideration and the aggregate sum of the Guaranteed Annual Return as shall be received by the Purchaser during the Guaranteed Period.

Upon the Purchaser having fully recovered and received the total amount of the Consideration and Guaranteed Return, the Purchaser agrees to transfer unconditionally the profit distribution rights in relation to 9% of the entire issued share capital of Listar held by it (hence, including 9% indirect profit distribution rights in the Project Company) to the Vendor as soon as possible. For the avoidance of doubt, the foregoing transfer of rights will not affect in any aspect the Purchaser's other rights and interests in and to its shareholding in Listar, and the foregoing transfer of such rights will not be in force if the Purchaser no longer holds any of the Acquired Interests. As advised by the Directors, loss will not be distributed.

The Implied IRR of 10% during the Guaranteed Period can be regarded as the financing cost to the Company. In assessing the fairness of the Implied IRR, we have considered the prevailing environment of the credit market for the PRC property sector and the borrowing costs of PRC property developers (as discussed in the section headed "Overview of the PRC Property Market" above), in particular the bond yields and coupon rates of the US$ denominated bonds issued by the PRC property developers listed on the Stock Exchange of Hong Kong Limited, details of which are set out below:

Name	**Stock Code**	**Market Capitalization** *(HK$ million)*	**Coupon** *(p.a.)*	**Rating** *(S&P)*	**Yield to maturity** *(Average mid price) ("YTM")*
Central China Real Estate Ltd	832.HK	5,597	8.00%	B+	8.87%
Central China Real Estate Ltd	832.HK	5,597	6.50%	B+	7.86%
China Aoyuan Property Group Ltd	3883.HK	4,529	13.88%	B	10.95%
China SCE Property Holdings Ltd	1966.HK	6,300	11.50%	B-	8.97%
Fantasia Holdings Group Co., Ltd	1777.HK	6,562	14.00%	B	9.11%
Fantasia Holdings Group Co., Ltd	1777.HK	6,562	14.00%	B	9.37%
Fantasia Holdings Group Co., Ltd	1777.HK	6,562	13.75%	B	10.98%
Fantasia Holdings Group Co., Ltd.	1777.HK	6,562	10.75%	B	12.43%
Future Land Development Holdings	1030.HK	5,271	10.25%	B+	11.99%
Future Land Development Holdings	1030.HK	5,271	10.25%	B+	11.89%
Powerlong Real Estate Holdings Ltd	1238.HK	6,315	13.75%	CCC+	9.69%
Powerlong Real Estate Holdings Ltd	1238.HK	6,315	13.75%	CCC+	9.69%
Powerlong Real Estate Holdings Ltd	1238.HK	6,315	11.25%	CCC+	13.01%
Renhe Commercial Holdings Co., Ltd.	1387.HK	9,305	13.00%	CCC	40.26%
Renhe Commercial Holdings Co., Ltd.	1387.HK	9,305	11.75%	CCC	39.96%
Renhe Commercial Holdings Co., Ltd.	1387.HK	9,305	13.00%	CCC	39.66%
Renhe Commercial Holdings Co., Ltd.	1387.HK	9,305	11.75%	CCC	40.36%
SPG Land Holdings Ltd.	337.HK	6,865	13.50%	CCC+	8.22%
Yuzhou Properties Co., Ltd.	1628.HK	5,979	13.50%	B	9.13%

Name	**Stock Code**	**Market Capitalization** *(HK$ million)*	**Coupon** *(p.a.)*	**Rating** *(S&P)*	**Yield to maturity** *(Average mid price) ("YTM")*
Yuzhou Properties Co., Ltd.	1628.HK	5,979	13.50%	B	9.06%
Yuzhou Properties Co., Ltd.	1628.HK	5,979	11.75%	B	8.48%

Maximum: 40.36%
Medium: 9.69%
Minimum: 7.86%

(excluding outliers)
Maximum: 13.01%
Medium: 9.37%
Minimum: 7.86%

Note: The above list represents a full and exhaustive list of bond issuers which focus on property development in the PRC with market capitalization of between HK$1 billion and HK$10 billion as at the Latest Practicable Day. These prices are indicative as they are affected by trading liquidity and other market factors.

Source: Bloomberg, 17 September 2013

We believe that it is very difficult to identify any direct comparable companies for this analysis since companies comparable with the asset size of the Company may not be large enough to issue bonds in the bond market. However, for the purpose of this analysis, we have selected bond issuers which focus on property development in the PRC with market capitalisations of between HK$1 billion and HK$10 billion. Excluding the outliers, namely bonds issued by Renhe Commercial Holdings Co., Ltd., the median, minimum and maximum YTM for the comparables shown above are 9.37%, 7.86% and 13.01% respectively. The companies in the table above are in general more established than the Company in the property development sector with more diversified and sizeable property portfolios in the PRC and relatively strong balance sheets when compared to those of the Company as evidenced by their credit ratings.

Based on the above, despite the Company having a smaller balance sheet and less diversified asset portfolio, we note that the Implied IRR of 10% requested by the Purchaser lies within the range of trading yields to maturity and the coupon rates of the bonds issued by PRC property developers listed above.

Having considered that:

- the current credit environment for the PRC property sector and the high borrowing costs of PRC property developers as described under the section headed "Overview of the PRC property market" above;

- despite the continued tightening in the credit market, the Implied IRR of 10% is lower than the Baitak IRR of 12% as requested by Baitak in the October Announcement; and

- the Implied IRR lies within the range of the trading yields to maturity and the coupon rates of the bonds issued by PRC property developers listed above, which in general have more diversified and sizeable property portfolios in the PRC and relatively strong balance sheets when compared to that of the Company,

we are of the view that the Implied IRR is fair and reasonable and was determined based on arm's length negotiation.

3. The Security Documents

Upon Completion, the Security Documents will also be executed to secure, inter alia, the obligors under the Shareholders Agreement and the Deed of Covenant. The Security Documents principally comprise of documents which:

(i) the Vendor, in summary:

(a) assigns in favour of the Purchaser all rights, title, interest and all monies at any time standing to the credit of the bank accounts of the Vendor;

(b) assigns in favour of the Purchaser by way of the first legal assignment, all rights, title and interest, present and future, in and to the New Shareholder Loan Agreements and the benefits and right to receive the Vendor Shareholder Loans;

(c) mortgages and covenants to mortgage by way of first legal mortgage of 47.4% of the entire issued shares of Listar to the Purchaser;

(ii) Honest Link, in summary:

(a) assigns in favour of the Purchaser by way of the first legal assignment, all rights, title and interest, present and future, in and to the New HLDL Shareholder Loan Agreements and the benefits and right to receive the HLDL Shareholder Loans;

(b) assigns in favour of the Purchaser all rights, title, interest and all monies at any time standing to the credit of the bank accounts of the Vendor;

(iii) Listar, in summary:

(a) assigns in favour of the Purchaser by way of the first legal assignment, all rights, title and interest, present and future, in and to the New Listar Shareholder Loan Agreements and the benefits and right to receive the Listar Shareholder Loans;

(b) mortgages and covenants to mortgage by way of first legal mortgage of 47.4% of the entire issued shares of Listar to the Purchaser.

We consider that the terms of the Security Documents are fair and reasonable as the terms therein are normal commercial terms to secure the obligations of the Obligors under the Transaction Documents and are determined based on arm's length negotiations having taken into the account of the terms of the Disposal as a whole.

4. Reasons for the Disposal

As disclosed in the Company's announcement dated 31 October 2012, the Company was required to pay US$106,000,000 to discharge its obligations under the LWD MTQ Agreements.

Given the size and amount of the funds required to settle the aforesaid payment under the LWD MTQ Agreements, it is difficult for the Group to refinance such amount within a short period of time under the current market conditions. The Directors consider the Disposal is the most effective way to settle the partial payment required under the LWD MTQ Agreements. In view of the above, the Directors are of the view that the terms of the Disposal are fair and reasonable, which have been arrived at after arm's length negotiations and are in the interests of the Company and the Shareholders as a whole.

The Consideration (being RMB607,000,000) shall be used to discharge the Group's payment obligation under the LWD MTQ Agreements. As a result, following Completion, the Company's liabilities will be greatly reduced by RMB607,000,000 (equivalent to approximately HK$748,597,151) under the LWD MTQ Agreements, allowing the Company to focus more resources and maintain a rapid expansion strategy on its culture and media services business from which the Directors expect more robust growth in profit contribution in the next few years.

There are pieces of evidence showing that there is momentum for China movie market to grow and to expand. Article on the World Street Journal Asia titled "Now Playing: China's Booming Movie Market" dated 1 August 2013 has shown that revenue for China's domestic film's box-office has doubled in the past year. Roy Lu, president of Starlive Inc., an entertainment events and talent-management company, clarifies that it is no longer a luxury to go watch a movie in China, but a good family event, that many people can afford the fee. Ernst & Young's summary report for media entertainment released in 2012 suggests that there are trends, for instance, increasing disposable income, growth of second-tier cities, emerging business models, etc., that are driving growth in China's media and entertainment economy. In particular, film sector in China would be able to surpass the US's by 2020.

We believe that under the current market condition, disposing a minority stake in a property development project in the PRC at market valuation is very difficult, let alone disposing such a stake at a premium to the market. Having considered the current financial situation of the Group (as described under the section headed "Background of the Group and Listar" above) and the repayment pressure under the LWD MTQ Agreements, we concur with the Directors' view that it is in the interests of the Company and its Shareholders to dispose part of the interest in Listar to the Purchaser.

5. Possible financial effects

Upon Completion, the Company's equity interest in the Disposal Group will be reduced from 70% to 43% and the Disposal Group will cease to be a subsidiary of the Company. Accordingly, the financial results of the Disposal Group will no longer be consolidated from, and then be equity accounted for in, the financial results of the Remaining Group.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this Circular, assuming the unaudited pro forma effect of the Disposal as if it had taken place on 30 June 2013 (in the case of the unaudited pro forma consolidated statement of financial position) and on 1 January 2012 (in the cases of the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows), the total assets of the Remaining Group would have been decreased by approximately HK$2,539 million from approximately HK$14,761 million as at 30 June 2013 to approximately HK$12,222 million, and the total liabilities of the Remaining Group would have been decreased by approximately HK$3,718 million from approximately HK$11,047 million as at 30 June 2013 to approximately HK$7,329 million.

i. Earnings

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this Circular, assuming the Disposal has been completed on 1 January 2012, the Group's net profits would have been improved by approximately HK$1,147 million from loss of approximately HK$372 million for the year ended 31 December 2012 to profit of approximately HK$774 million.

ii. Net assets

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to the Circular, assuming the Disposal has been completed on 30 June 2013, the net asset value of the Remaining Group would have been increased by approximately HK$1,180 million from approximately HK$3,713 million as at 30 June 2013 to approximately HK$4,893 million.

iii. Gearing and working capital

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, the gearing ratio of the Remaining Group, which was calculated based on net debt divided by adjusted capital plus net debt decreased from approximately 43.7% as at 31 December 2012 to approximately 42.3% as at 30 June 2013. Upon Completion, the working capital of the Company is expected to increase from approximately HK$1,686 million to approximately HK$1,789 million. As stated in the Board Letter, the Directors are of the opinion that, after taking into account the Group's internal resources, cash flow from operations, and the new banking facilities in an amount of RMB1.57 billion (comprising RMB1.2 billion for property development and RMB0.37 billion for other operations) to be obtained, the Group after completion of the proposed Disposal, will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this Circular.

RECOMMENDATIONS

As mentioned above, the completion of the Disposal is conditional upon, inter alia, the Independent Shareholders having approved the Transaction Documents that are to be signed upon the Completion and the transactions contemplated thereunder at the SGM, we have therefore considered the principal terms of both the Disposal and the Connected Transactions as a whole in order to derive our opinion.

Having considered the above principal factors and reasons, in particular that:

- the Disposal is an effective way to repay part of the obligations under the LWD MTQ Agreements as the Purchaser can commensurate a speedy completion of the Disposal;

- under the current market conditions, it is difficult to sell a minority stake of a property development project in the PRC at market valuation, let alone at a premium. Pursuant to the Disposal, the net Consideration represents a 181% premium over the total fair market value of Listar based on the valuation prepared by the Independent Valuer;

- the outlook of the property market in Guangzhou remains uncertain on the back of increasing supply of total floor space of residential buildings and cost of capital, coupled with the home-acquiring policies recently introduced;

- given the volatility in liquidity in the PRC banking system and with reference to the cost of funding in the credit market in general, especially the bond market for the PRC property development sector, we consider the internal rate of return implied by the Guaranteed Total Annual Return under the Deed of Covenants of 10% is fair and reasonable;

- the agreements relating to the Security Documents are on normal commercial terms to secure the Vendor and Purchaser's rights and obligations under the Connected Transactions; and

- the Disposal allows the Group to take this opportunity to reduce its indebtedness whilst bringing into a reputable investor like CITIC Real Estate as a partner in the Project, we are of the view that the terms of the Connected Transactions as a whole and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions in relation to the Connected Transactions at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution in relation to the Connected Transaction at the SGM.

Yours faithfully,
For and on behalf of
Odysseus Capital Asia Limited
Joseph Chu
Managing Director

SUMMARY OF UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE LISTAR GROUP

Set out below are the unaudited consolidated income statements, unaudited consolidated statements of comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of Listar Properties Limited ("Listar") and its subsidiaries (collectively "Listar Group") for the three years ended 31 December 2010, 2011 and 2012 and the five months ended 31 May 2013 (the "Relevant Periods"), the unaudited consolidated statements of financial positions of the Listar Group as at 31 December 2010, 2011 and 2012 and 31 May 2013 and certain explanatory notes (the "Unaudited Consolidated Financial Information"), which have been reviewed by the independent auditor of the Company, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Unaudited Consolidated Financial Information of the Listar Group is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Consolidated Financial Information of the Listar Group.

UNAUDITED CONSOLIDATED INCOME STATEMENTS OF THE LISTAR GROUP

For the years ended 31 December 2010, 2011 and 2012 and five months ended 31 May 2013

	Year ended 31 December			Five months ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue/Turnover	—	—	—	—	—
Other operating income	6,768	10,636	8,834	2,618	1,292
Selling and marketing expenses	—	(12,964)	(27,047)	(7,403)	(26,394)
Administrative expenses	(18,837)	(21,920)	(21,568)	(8,258)	(7,097)
Other operating expenses	(9,676)	(6,506)	(8,020)	(3,230)	(4,279)
Finance costs	(18,174)	(3,579)	—	—	—
Loss before income tax	(39,919)	(34,333)	(47,801)	(16,273)	(36,478)
Income tax expense	—	—	—	—	—
Loss attributable to the owners of the Company for the year/period	(39,919)	(34,333)	(47,801)	(16,273)	(36,478)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF THE LISTAR GROUP

For the years ended 31 December 2010, 2011 and 2012 and five months ended 31 May 2013

	Year ended 31 December			Five months ended 31 May	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year/period	(39,919)	(34,333)	(47,801)	(16,273)	(36,478)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange gain/(loss) on translation of financial statements of foreign operations	22,282	27,217	4,284	(7,066)	9,571
Total comprehensive income attributable to the owners of the Company for the year/period	(17,637)	(7,116)	(43,517)	(23,339)	(26,907)

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE LISTAR GROUP

As at 31 December 2010, 2011 and 2012 and 31 May 2013

	As at 31 December			As at 31 May
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	3,212	5,132	5,030	4,650
Other receivables	109,119	—	—	—
	112,331	5,132	5,030	4,650
Current assets				
Inventories	1,242,305	1,813,180	2,228,874	2,529,606
Deposits, prepayments and other receivables	51,586	148,436	176,838	240,477
Prepayment of land appreciation tax	—	—	6,306	17,737
Amounts due from fellow subsidiaries	205,650	—	—	—
Pledged and restricted bank deposits	189	123,411	189,738	208,789
Time deposits maturing over three months	—	—	41,667	—
Cash and cash equivalents	142,795	26,448	30,658	12,204
	1,642,525	2,111,475	2,674,081	3,008,813
Current liabilities				
Trade payables	—	105,526	205,551	173,427
Other payables, accruals and receipts in advance	29,568	9,008	461,596	940,197
Amount due to ultimate holding company	—	—	6,255	6,290
Amount due to immediate holding company	531,122	867,937	665,311	665,311
Amounts due to fellow subsidiaries	—	13,508	18,468	14,540
Bank and other borrowings	—	407,256	872,637	265,541
Finance from a connected party	391,540	—	165,679	174,128
	952,230	1,403,235	2,395,497	2,239,434
Net current assets	690,295	708,240	278,584	769,379
Total assets less current liabilities	802,626	713,372	283,614	774,029

	As at 31 December			As at 31 May
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Bank and other borrowings	625,147	543,009	37,313	499,418
Finance from a connected party	—	—	1,077,446	1,132,663
	625,147	543,009	1,114,759	1,632,081
Net assets/(liabilities)	177,479	170,363	(831,145)	(858,052)
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	156,000	156,000	109,200	109,200
Reserves	21,479	14,363	(940,345)	(967,252)
Total equity/(Capital deficiency)	177,479	170,363	(831,145)	(858,052)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS OF THE LISTAR GROUP

For the years ended 31 December 2010, 2011 and 2012 and five months ended 31 May 2013

	Year ended 31 December			Five months ended 31 May	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities					
Loss before income tax	(39,919)	(34,333)	(47,801)	(16,273)	(36,478)
Adjustments for:					
(Gain)/Loss on disposals of property, plant and equipment	—	(49)	—	—	67
Interest income	(6,084)	(9,942)	(8,405)	(2,465)	(1,242)
Finance costs	18,174	3,579	—	—	—
Depreciation of property, plant and equipment	952	649	787	312	350
Operating loss before working capital changes	(26,877)	(40,096)	(55,419)	(18,426)	(37,303)
Increase in inventories	(88,435)	(472,154)	(336,544)	(75,694)	(179,275)
Decrease/(Increase) in deposits, prepayments and other receivables	57,763	24,968	(18,766)	1,316	(68,300)
Increase in trade payables, other payables, accruals and receipts in advance	17,931	82,002	545,380	95,583	430,696
Cash (used in)/generated from operations	(39,618)	(405,280)	134,651	2,779	145,818
Interest received	882	4,226	218	24	9,948
Interest paid	(34,391)	(44,420)	(64,594)	(26,852)	(26,459)
Finance costs on finance from a connected party paid	(55,560)	(14,493)	—	—	—
Income tax paid	—	—	(6,239)	—	(11,222)
Net cash (used in)/generated from operating activities	(128,687)	(459,967)	64,036	(24,049)	118,085

	Year ended 31 December			Five months ended 31 May	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from investing activities					
Payments to acquire property, plant and equipment	(1,468)	(2,412)	(646)	(77)	—
Proceeds from disposals of property, plant and equipment	—	79	—	—	45
Decrease/(Increase) in pledged and restricted bank deposits	38,449	(120,496)	(64,672)	—	(15,674)
(Increase)/Decrease in time deposits maturing over three months	—	—	(41,226)	—	41,997
(Advance to)/Repayment from fellow subsidiaries	(200,478)	211,061	—	—	—
Net cash (used in)/ generated from investing activities	(163,497)	88,232	(106,544)	(77)	26,368
Cash flows from financing activities					
Proceeds from bank borrowings	611,303	289,645	406,104	405,306	6,268
Repayments of bank borrowings	—	—	(453,360)	(368,460)	(165,350)
Repayments of finance from a third party	—	(388,675)	—	—	—
(Repayment to)/Advance from fellow subsidiaries	(110,854)	13,826	4,960	42,034	(4,201)
(Repayment to)/Advance from immediate holding company	(152,891)	336,815	82,508	1,042	—
Advance from ultimate holding company	—	—	6,255	—	35
Net cash generated from/ (used in) financing activities	347,558	251,611	46,467	79,922	(163,248)

	Year ended 31 December			Five months ended 31 May	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net increase/(decrease) in cash and cash equivalents	55,374	(120,124)	3,959	55,796	(18,795)
Cash and cash equivalents at the beginning of the year/period	84,286	142,795	26,448	26,448	30,658
Effect of foreign exchange rate changes, on cash held	3,135	3,777	251	(761)	341
Cash and cash equivalents at the end of the year/ period	142,795	26,448	30,658	81,483	12,204

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF THE LISTAR GROUP

For the years ended 31 December 2010, 2011 and 2012 and five months ended 31 May 2013

	Share capital	Capital reserve	Distribution in advance	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	156,000	786	—	94,989	(56,659)	195,116
Loss for the year	—	—	—	—	(39,919)	(39,919)
Other comprehensive income:						
Exchange gain on translation of financial statements of foreign operations	—	—	—	22,282	—	22,282
Total comprehensive income for the year	—	—	—	22,282	(39,919)	(17,637)
At 31 December 2010 and 1 January 2011	156,000	786	—	117,271	(96,578)	177,479
Loss for the year	—	—	—	—	(34,333)	(34,333)
Other comprehensive income:						
Exchange gain on translation of financial statements of foreign operations	—	—	—	27,217	—	27,217
Total comprehensive income for the year	—	—	—	27,217	(34,333)	(7,116)
At 31 December 2011 and 1 January 2012	156,000	786	—	144,488	(130,911)	170,363
Loss for the year	—	—	—	—	(47,801)	(47,801)
Other comprehensive income:						
Exchange gain on translation of financial statements of foreign operations	—	—	—	4,284	—	4,284
Total comprehensive income for the year	—	—	—	4,284	(47,801)	(43,517)
Reclassification from equity to liability due to amendment to terms of shares	(46,800)	—	(911,191)	—	—	(957,991)
At 31 December 2012 and 1 January 2013	109,200	786	(911,191)	148,772	(178,712)	(831,145)
Loss for the period	—	—	—	—	(36,478)	(36,478)
Other comprehensive income:						
Exchange gain on translation of financial statements of foreign operations	—	—	—	9,571	—	9,571
Total comprehensive income for the period	—	—	—	9,571	(36,478)	(26,907)
At 31 May 2013	109,200	786	(911,191)	158,343	(215,190)	(858,052)
At 31 December 2011 and 1 January 2012	156,000	786	—	144,488	(130,911)	170,363
Loss for the period	—	—	—	—	(16,273)	(16,273)
Other comprehensive income:						
Exchange loss on translation of financial statements of foreign operations	—	—	—	(7,066)	—	(7,066)
Total comprehensive income for the period	—	—	—	(7,066)	(16,273)	(23,339)
At 31 May 2012	156,000	786	—	137,422	(147,184)	147,024

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

On 31 December 2012, the Vendor disposed of 30% equity interests and 30% shareholder loans in Listar (collectively referred to as "30% Listar Interest") to Baitak at a cash consideration of approximately US$160,380,000 (equivalent to approximately HK$1,244,228,000). The disposed 30% Listar Interest was considered as a collateralised loan for the financial restructuring of a liability due to Baitak by the Group. On 28 June 2013, the Vendor entered into a conditional sale and purchase agreement with the Purchaser for the disposal of 27% equity interests and 27% shareholder loans in Listar (collectively referred to as "27% Listar Interest") at a cash consideration of RMB607,000,000 (equivalent to approximately HK$748,597,000). As a result of the disposal of 27% Listar Interest, it is considered that the Company has lost control of Listar on the Completion Date, and Listar will then be no longer a subsidiary accordingly, but it will be an associate of the Company.

The Listar Group is principally engaged in the property development business.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Unaudited Consolidated Financial Information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular to be issued by the Company in connection with the disposal of 27% equity interests in Listar.

The Unaudited Consolidated Financial Information of the Listar Group for the Relevant Periods has been prepared on the historical cost basis. The Unaudited Consolidated Financial Information of the Listar Group for the Relevant Periods has been prepared using the same accounting policies adopted by the Company in the preparation of the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Listar Group had a capital deficiency of approximately HK$831,145,000 and HK$858,052,000 as at 31 December 2012 and 31 May 2013 respectively. The Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Listar Group and the ability of the Listar Group to attain profitable and positive cashflow from operations in the future. The Directors are of the opinion that the Listar Group will be able to finance its future working capital and financial requirements given that:

(i) The Listar Group was in a net current asset position of HK$278,584,000 and HK$769,379,000 as at 31 December 2012 and 31 May 2013 respectively, which indicate that the existing working capital are enough to pay off the short-term liabilities as they fall due.

(ii) According to the valuation report of the property held by the Listar Group, namely Free Man Garden (the "Property"), set out in Appendix IV(A) to the Circular, the fair value of the Property was RMB3,273,500,000 (approximately HK$4,037,121,000) as at 31 May 2013. There is a valuation surplus of approximately HK$1,507,515,000 over the carrying value of the Property, which is far in excess of the aforesaid capital deficiency amounts.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Listar Group's financial information on a going concern basis.

The Unaudited Consolidated Financial Information of the Listar Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" issued by the HKICPA or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

INTRODUCTION

The unaudited pro forma financial information of the Remaining Group (the "Unaudited Pro Forma Financial Information") presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2013; and (b) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2012 as if the Disposal had been completed on 1 January 2012. This Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with Paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 June 2013 or at any future date or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2012 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the unaudited financial statements of the Group for the six months ended 30 June 2013 as set out in the 2013 interim report of the Company, the audited financial statements of the Group for the year ended 31 December 2012 as set out in the 2012 annual report of the Company and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2013 extracted from the consolidated financial statements of the Group for the six months ended 30 June 2013 as set out in the 2013 interim report of the Company, the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2012 as set out in the 2012 annual report of the Company, after making pro forma adjustments relating to the Disposal as described in the notes that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) factually supportable; and (iii) considered to be integral to the Disposal.

Unaudited Pro Forma Consolidated Statement of Financial Position

	Unaudited consolidated statement of financial position of the Group as at 30 June 2013				Pro forma adjustments					Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 5)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
ASSETS AND LIABILITIES										
Non-current assets										
Property, plant and equipment	2,014,679									2,014,679
Prepaid land lease payments under operating leases	28,159									28,159
Interest in associates	107,044			810,197						917,241
Loan receivable from an associate	—		266,151							266,151
Available-for-sale financial assets	324									324
Deposits and other receivables	452,278									452,278
Intangible assets	151,348									151,348
Deferred tax assets	110,408									110,408
Pledged and restricted bank deposits	30,345									30,345
	2,894,585									3,970,933
Current assets										
Inventories	5,713,080									5,713,080
Financial assets at fair value through profit or loss	6,851									6,851
Trade receivables	86,347									86,347
Deposits, prepayments and other receivables	1,248,202				261,648					1,509,850
Amount due from an associate	530									530
Pledged and restricted bank deposits	724,171									724,171
Cash and cash equivalents	211,165					(880)				210,285
	7,990,346									8,251,114
Assets of a disposal group classified as held for sale	3,876,058	(3,876,058)								—
	11,866,404									8,251,114

	Unaudited consolidated statement of financial position of the Group as at 30 June 2013				Pro forma adjustments					Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 5)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
Current liabilities										
Trade payables	289,964									289,964
Other payables and accruals	1,030,590									1,030,590
Deferred revenue	69,433									69,433
Provision for tax	968,337							45,522		1,013,859
Amount due to a director	61,676									61,676
Amounts due to shareholders	5,006									5,006
Amount due to an associate	5,501		100,475	161,327						267,303
Amount due to a former subsidiary	15,285									15,285
Bank and other borrowings, secured	2,891,024									2,891,024
Finance lease liabilities	135									135
Finance from a third party	—								817,434	817,434
Finance from a connected party	1,323,034				(505,600)				(817,434)	—
	6,659,985									6,461,709
Liabilities directly associated with the assets classified as held for sale	3,520,099	(3,520,099)								—
	10,180,084									6,461,709
Net current assets	1,686,320									1,789,405
Total assets less current liabilities	4,580,905									5,760,338
Non-current liabilities										
Bank and other borrowings, secured	845,132									845,132
Finance lease liabilities	158									158
Deferred tax liabilities	22,255									22,255
	867,545									867,545
Net assets	3,713,360									4,892,793
Capital and reserves										
Share capital	686,455									686,455
Reserves	2,312,113					(880)	1,225,835	(45,522)		3,491,546
Equity attributable to the Company's owners	2,998,568									4,178,001
Non-controlling interests	714,792									714,792
Total equity	3,713,360									4,892,793

Unaudited Pro Forma Consolidated Income Statement

	Audited consolidated income statement of the Group for the year ended 31 December 2012	Pro forma adjustments							Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 13)*	
Revenue/Turnover	1,953,568								1,953,568
Cost of sales and services provided	(738,189)								(738,189)
Gross profit	1,215,379								1,215,379
Other operating income	121,940	(8,834)	13,390						126,496
Gain on disposal and dissolution of subsidiaries	49,793			(880)	1,133,725				1,182,638
Gain on re-structuring of finance	12,173								12,173
Selling and marketing expenses	(702,594)	27,047	(13,390)						(688,937)
Administrative expenses	(422,923)	21,568							(401,355)
Other operating expenses	(363,222)	8,020							(355,202)
Finance costs	(147,416)							32,000	(115,416)
Share of results of associates	(5,179)						(20,554)		(25,733)
(Loss)/Profit before income tax	(242,049)								950,043
Income tax expense	(130,244)					(45,522)			(175,766)
(Loss)/Profit for the year	(372,293)								774,277
(Loss)/Profit for the year attributable to:									
Owners of the Company	(346,063)								800,507
Non-controlling interests	(26,230)								(26,230)
(Loss)/Profit for the year	(372,293)								774,277

Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2012			Pro forma adjustments				Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 12)*	*(Note 13)*	
Loss for the year	(372,293)	47,801	(880)	1,133,725	(45,522)	(20,554)	32,000	774,277
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	36,271	(4,284)				1,842		33,829
Exchange differences reclassified on disposal and dissolution of subsidiaries	93			(143,954)				(143,861)
Other comprehensive income for the year	36,364							(110,032)
Total comprehensive income for the year	(335,929)							664,245
Total comprehensive income attributable to:								
Owners of the Company	(311,320)							688,854
Non-controlling interests	(24,609)							(24,609)
Total comprehensive income for the year	(335,929)							664,245

Unaudited Pro Forma Consolidated Statement of Cash Flows

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2012	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 12)*	*(Note 13)*	
Cash flows from operating activities								
(Loss)/Profit before taxation	(242,049)	47,801		(880)	1,133,725	(20,554)	32,000	950,043
Adjustments for:								
Interest income	(19,575)	8,405						(11,170)
Interest expenses	77,701							77,701
Finance costs on finance from a connected party	69,715						(32,000)	37,715
Gain on restructuring of finance	(12,173)							(12,173)
Depreciation of property, plant and equipment	156,225	(787)						155,438
Amortisation of intangible assets other than goodwill	39,787							39,787
Write-off of property, plant and equipment	2,521							2,521
Write-off of intangible assets	905							905
Gain on disposal and dissolution of subsidiaries	(49,793)			880	(1,133,725)			(1,182,638)
Operating lease charges on prepaid land leases	365							365
Bad debt written-off and provision for impairment of receivables	404							404
Gain on disposal of property, plant and equipment	(5,165)							(5,165)
Net fair value loss on financial assets at fair value through profit or loss	707							707
Provision for impairment of available-for-sale financial assets	155							155
Share of results of associates	5,179					20,554		25,733
Operating profit before movements in working capital	**24,909**							**80,328**

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2012	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 12)*	*(Note 13)*	
Increase in inventories	(356,219)	336,544						(19,675)
Increase in trade receivables, deposits, prepayments and other receivables	(33,851)	18,766						(15,085)
Increase in trade payables, other payables and accruals	594,194	(545,380)						48,814
Increase in deferred revenue	1,002							1,002
Decrease in amount due to a former subsidiary	(9,950)							(9,950)
Decrease in amounts due to an associate	(1)							(1)
Increase in financial assets at fair value through profit or loss	(244)							(244)
Cash generated from operations	219,840							85,189
Interest received	15,330	(218)						15,112
Interest paid	(199,172)	64,594						(134,578)
Income taxes paid	(69,895)	6,239						(63,656)
Net cash used in operating activities	**(33,897)**							**(97,933)**
Cash flows from investing activities								
Payments to acquire intangible assets	(38,554)							(38,554)
Payments to acquire property, plant and equipment	(375,237)	646						(374,591)
Increase in deposits and other receivables	(318,902)							(318,902)
Increase in pledged and restricted bank deposits	(709,731)	64,672						(645,059)
Increase in time deposits maturing over three months	(41,226)	41,226						—
Proceeds from disposal of a subsidiary	—		724,317	(880)				723,437
Proceeds from disposal of property, plant and equipment	6,231							6,231
Net cash outflow arising from disposal and dissolution of subsidiaries	(5,567)							(5,567)
Net cash used in investing activities	**(1,482,986)**							**(653,005)**

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2012	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 12)*	*(Note 13)*	
Cash flows from financing activities								
Repayments of bank and other borrowings	(802,109)	453,360						(348,749)
Repayments of finance lease liabilities	(120)							(120)
Proceeds from bank and other borrowings	2,398,473	(406,104)						1,992,369
Repayment to a director	(29,746)							(29,746)
Repayment of finance from a third party	—		(821,617)					(821,617)
Payment of arrangement fee for restructuring of finance	(3,458)							(3,458)
Net cash generated from financing activities	**1,563,040**							**788,679**
Net increase in cash and cash equivalents	**46,157**	89,764	(97,300)	(880)				**37,741**
Cash and cash equivalents at 1 January 2012	**138,675**	(26,448)						**112,227**
Effect of foreign exchange rate changes, on cash held	2,284	(251)						2,033
Cash and cash equivalents at 31 December 2012	**187,116**							**152,001**

Notes to the unaudited pro forma financial information

(1) The audited consolidated statement of financial position of the Group as at 30 June 2013 are extracted from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 as set out in 2013 interim report of the Company. The audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2012 as set out in the 2012 annual report of the Company.

(2) The adjustment represents:

(a) the exclusion of the assets and liabilities attributable to the Listar Group as at 30 June 2013, assuming the Disposal had been taken place on 30 June 2013.

(b) the exclusion of the results and cash flows of the Listar Group for the year ended 31 December 2012 before elimination of intercompany transactions as detailed in Note 4 below, assuming that the Disposal had been taken place on 1 January 2012. The excluded balances are extracted from the unaudited financial statements of Listar Group for the year ended 31 December 2012.

(3) The adjustment represents the intercompany balances between the Remaining Group and the Listar Group after the completion of the Disposal, assuming the Disposal had been taken place on 30 June 2013.

The amount due to shareholders by the Listar Group amounted to HK$950,445,000, as extracted from the unaudited financial statements of Listar Group at 30 June 2013. Assuming the Disposal had been taken place on 30 June 2013, such shareholder loan due to the Remaining Group immediately after the Disposal will be 43% of the total amount, i.e. HK$408,691,000, which is expected to be recovered in 2017. The fair value of the balance at 30 June 2013, as calculated by the management using discounted cashflow method and applying the discount rate of 10%, was HK$266,151,000. The discount rate was derived based on market interest rate for equivalent bonds.

Besides, there is an amount of HK$100,475,000 other companies of the Remaining Group due to the Listar Group at 30 June 2013. Such balance is unsecured, interest free and repayable on demand.

(4) The adjustment represents the intercompany transactions between the Remaining Group and the Listar Group, which had been eliminated in the audited consolidated financial statements of the Group for the year ended 31 December 2012. It represents the advertising costs charged by the Remaining Group to the Listar Group for the year ended 31 December 2012.

(5) After the Disposal, the Group retains 43% equity interest in the Listar Group. The Listar Group would become an associate of the Remaining Group. According to the sale and purchase agreement dated 28 June 2013 entered into between CITIC Real Estate (Hong Kong) Development Limited ("CITIC") and the Group (the "SPA"), the Group should guarantee that Listar Group make annual installment payments to CITIC to ensure CITIC can receive 15% of its investment cost as "principal" repayment and the outstanding investment cost is with a guaranteed return of not less than 10% per annum. After the investment cost is fully recovered, where CITIC still holds the 27% equity interest in Listar, and when there is distribution by Listar Group, CITIC will transfer 9% dividend entitlement to Remaining Group as a reward for its guarantee in return.

The fair value of the remaining 43% equity interest, including the potentially additional 9% dividend entitlement in the Listar Group, is determined with reference to the valuation report dated 24 September 2013 prepared by an independent professional valuer. The fair values of such equity interest is approximately HK$810,197,000. Key parameters adopted for the discounted cashflow method are summarized as follows:

The five phases of properties are completed and fully sold by 2017.

Profit margin	15%–29%
Discount rate	20.63%

The profit margin of 15%–29% was derived by reference to the cash flow and profit forecast prepared by the Group. In determining the discount rate, the capital asset pricing model was used, which is determined with reference to the yield of China bond, the market return in the stock market of PRC and the return on holding shares of listed company which engaged in properties operation or similar line of business in the PRC, and other specific risks of the Project Company.

According to the SPA and other agreements entered into among the Group, CITIC and Baitak, the Remaining Group has guaranteed the repayments by Listar of the considerations received from Baitak and CITIC with regard to the disposal of 30% of Listar share capital and shareholder loan (collectively "Listar Interest") and 27% of Listar Interest, respectively, by the Group together with the minimum returns on the aforesaid considerations. If there is any shortfall in the payments made by Listar to Baitak and CITIC, the Remaining Group should make up such shortfall at its own costs. No commercial value can be given to the fair value of the guarantee as assessed by an independent professional valuer using discounted cashflow method.

According to the SPA, the Remaining Group should pay up the unpaid capital of US$20,800,298 (equivalent to approximately HK$161,225,000 as at 1 January 2012 and HK$161,327,000 as at 30 June 2013) to the Project Company by 31 December 2013. The payment of such further capital will have no effect on the shareholding percentage of the three investors, namely the Group, Baitak and CITIC, in the Listar Group. Therefore, in contrast of being a capital commitment without such term in the SPA, such contractual obligation is recorded as a liability of the Remaining Group on the Completion of Disposal.

(6) Prior to the Disposal, the put option issued to Baitak and the call option issued to the Remaining Group were considered to be embedded in the loan due to Baitak which was recognized in the consolidated financial statements of the Group. The options were not accounted for separately from the loan as the put option was considered to be closely related to the loan while the fair value of the call option was not considered to be significant.

No commercial value can be given to the fair value of both the call and put options as at 30 June 2013 assuming the Disposal completed on that date were assessed by an independent professional valuer using discounted cashflow method.

(7) The consideration for the Disposal is RMB607,000,000 (equivalent to approximately HK$754,975,000 at 1 January 2012 and HK$767,248,000 at 30 June 2013). RMB400,000,000 (equivalent to approximately HK$497,512,000 at 1 January 2012 and HK$505,600,000 at 30 June 2013) is payable within 1 week after the Completion and RMB207,000,000 (equivalent to approximately HK$257,463,000 at 1 January 2012 and HK$261,648,000 at 30 June 2013) is payable 75 days after the aforesaid payment.

For pro forma consolidated statement of cash flows, assuming that the Disposal had been taken place on 1 January 2012, the net proceed from the Disposal is as follows:

	HK$'000
Cash consideration	754,975
Less: Cash and cash equivalents of Disposal Group	(30,658)
	724,317

For pro forma consolidated statement of financial positions, assuming that the Disposal had been taken place on 30 June 2013, the proceed from the Disposal received on Completion Date is HK$505,600,000 while the remaining balance is recorded as other receivables.

According to the letter agreement entered into between the Vendor and Baitak signed on 26 October 2012, US$106 million (approximately HK$821,617,000 at 1 January 2012 and HK$822,136,000 at 30 June 2013), which is mainly from the sale proceed of the Disposal, is to be used to repay the finance from Baitak. The Directors consider the repayment to Baitak by sale proceed received from the Disposal as an integral part of the Disposal. Thus the repayment is considered as a pro forma adjustment to the unadjusted pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of cash flows.

For pro forma consolidated statement of cash flows, assuming that the Disposal had been taken place on 1 January 2012, an amount of US$106 million (approximately HK$821,617,000), including mainly the net proceed from the Disposal of HK$724,317,000 will be repaid to Baitak.

For pro forma consolidated statement of financial position, assuming that the Disposal had been taken place on 30 June 2013, the first instalment for the Disposal proceed of RMB400,000,000 (equivalent to approximately HK$505,600,000) received on Completion Date will be immediately used for repayment to Baitak while the rest of about HK$316,536,000 will be repaid to Baitak after the Completion Date.

(8) The adjustment represents the transaction costs of HK$880,000 (including but not limited to legal and professional fees) directly attributable to the Disposal estimated by the Directors of the Company.

(9) The adjustment represents the recognition of the gain on the Disposal.

For the purposes of unaudited pro forma consolidated statement of financial position, the gain on Disposal as if the Disposal had been completed on 30 June 2013 is as follows:

	HK$'000
Cash consideration (RMB607,000,000)	767,248
Fair value of the remaining 43% equity interest in Listar Group *(note 5)*	810,197
Net assets of the Listar Group (excluding intercompany balances with the Remaining Group, and included fair value adjustment and relevant deferred tax liability), including goodwill attributable to the Listar Group *(note 2 and 9(a))*	(355,959)
43% shareholder loan due from the Listar Group attributable to the Remaining Group *(note 3)*	266,151
The amount due to the Listar Group *(note 3)*	(100,475)
The Group's liability assumed for paying the unpaid capital *(note 5)*	(161,327)
Re-classification of translation reserve upon disposal of the Listar Group	158,307
Gain on the Disposal (excluding transaction costs as stated note 8)	1,384,142

(a) Net assets of the Listar Group (excluding intercompany balances with the Remaining Group, and included fair value adjustment and relevant deferred tax liability), as at 30 June 2013, is determined as follows:

	HK$'000
Assets of a disposal group classified as held for sale	3,876,058
Liabilities directly associated with the assets classified as held for sale	(3,520,099)
	355,959

For the purposes of unaudited pro forma consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flows, the gain on Disposal as if the Disposal had been completed on 1 January 2012 is as follows:

	HK$'000
Cash consideration (RMB607,000,000)	754,975
Fair value of the remaining 43% equity interest in the Listar Group *(note 9(b))*	684,258
Net assets of the Listar Group (excluding intercompany balances with the Remaining Group, and included fair value adjustment and relevant deferred tax liability) *(note 9(c))*	(401,751)
Goodwill attributable to the Listar Group	(143,111)
43% shareholder loan due from the Listar Group attributable to the Remaining Group	231,902
The amount due from the Listar Group	24,723
The Group's liability assumed for paying the unpaid capital *(note 5)*	(161,225)
Re-classification of translation reserve upon disposal of the Listar Group	143,954
Gain on the Disposal (excluding transactions costs as stated in note 8)	1,133,725

(b) The fair value of the remaining interest in associate is derived from the sharing of the Disposal Group profit between the Group, Baitak and CITIC. The disposal of 30% Listar Interest to Baitak is completed on 31 December 2012. Thus, for the purpose of unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows, the gain on disposal is determined with reference to the fair value of the remaining 43% equity interest in the Listar as at 31 December 2012. Such fair value is determined with reference to the valuation report dated 24 September 2013 prepared by an independent professional valuer on the same basis as those adopted for the determination of fair value at 30 June 2013 as described in note 5, except that the discount rate used is 20.56%.

For the purposes of illustration of the gain on disposal in the pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows, the relevant figures employed for computations are the balances as at 31 December 2012 to align with the fair value of the remaining 43% equity interest in the Listar.

The exchange rates used are the rates as at 1 January 2012.

(c) Net assets of the Listar Group (excluding intercompany balances with the Remaining Group, and included fair value adjustment and relevant deferred tax liability), as at 31 December 2012, is determined as follows:

	HK$'000
Net liabilities of the Listar Group##	(831,145)
Intercompany balance with the Remaining Group##	690,034
Interest incurred by the Remaining Group capitalized in inventories of the Listar Group	25,928
Fair value adjustments to inventories	764,116
Deferred tax liabilities	(247,182)
Net assets of the Listar Group	401,751
Goodwill attributable to the Listar Group	143,111
	544,862

Extracted from the unaudited financial statements of the Listar Group as at 31 December 2012

(10) The adjustment represents the estimated PRC capital gain tax to be charged on the gain on the Disposal at the rate of 10%.

Upon completion of the Disposal, it is assumed that the transaction is of a capital nature and not subjected to Hong Kong Profits Tax.

(11) After completion of the Disposal, Baitak will no longer be a connected party to the Remaining Group and the amount due to it will be reallocated to finance from a third party.

(12) The adjustment reflects the share of losses and other comprehensive income of the Disposal Group assuming the Disposal had been taken place on 1 January 2012.

(13) The adjustment reflects the reduction in the effective interest charged to income statement arising from the finance from a connected party, assuming the Disposal had been taken place on 1 January 2012.

(14) For the purpose of this unaudited pro forma consolidated income statement, it is assumed that there is no change in fair value of the financial guarantee as mentioned in note 5 above since the change in value of financial guarantee cannot be predicted.

(15) For the purpose of this unaudited pro forma consolidated income statement, it is assumed that there is no change in fair value of the call option and put option as mentioned in note 6 above since the change in value of the options cannot be predicted.

(16) Except for adjustment 12, all the above pro forma adjustments to the unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are not expected to have a continuing effect on the Remaining Group.

(17) For the purpose of the presentation of the unaudited pro forma financial information, conversion of foreign currencies to HK$ is calculated at the following exchange rates:

HK$1.24378 to RMB1 as at 1 January 2012

HK$1.264 to RMB1 as at 30 June 2013

HK$1.231 to RMB1 for the year ended 31 December 2012

HK$7.7511 to US$1 as at 1 January 2012

HK$7.7560 to US$1 as at 30 June 2013

HK$7.7558 to US$1 for the year ended 31 December 2012

REPORTING ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

The following is the text of a report from the reporting accountants, BDO Limited, Certified Public Accountants, on the unaudited pro forma financial information of the Remaining Group, for inclusion in this circular.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

TO THE DIRECTORS OF NAN HAI CORPORATION LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Nan Hai Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2013, the pro forma consolidated income statement and the pro forma consolidated statement of comprehensive income for the year ended 31 December 2012, the pro forma consolidated statement of cash flows for the year ended 31 December 2012, and related notes as set out on pages 72–84 of the circular issued by the Company dated 24 September 2013 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages 72–84 of the Circular.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of 27% equity interest in Listar Properties Limited ("Listar") and its subsidiaries (the "Listar Group") and 27% of the shareholder loan owing by the Listar Group to the Group to CITIC Real Estate (Hong Kong) Development Limited ("CITIC") (collectively referred to as the "Disposal") on the Group's financial position as at 30 June 2013 and the Group's financial performance and cash flows for the year ended 31 December 2012 as if the transaction had taken place at 31 December 2012 and 1 January 2012 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited financial statements for the six months ended 30 June 2013, and the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2012, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 and 1 January 2012 would have been as presented.

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

— The related pro forma adjustments give appropriate effect to those criteria; and

— The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants

Hong Kong, 24 September 2013

1. INDEBTEDNESS

Borrowings, secured

At 31 July 2013, the carrying amounts of the Group's borrowings were as follows:

	As at 31 July 2013 *HK$'000*
Bank and other borrowings	1,068,003
Bank and other borrowings — guaranteed	3,751,990
Finance lease liabilities	282
Finance from a connected party — guaranteed*	2,646,742
	7,467,017

* The contractual principal and accrued finance cost payable as at 31 July 2013 are approximately HK$1,311,836,000.

The amount of banking facilities which have been utilized and unutilized by the Group are approximately HK$3,060,064,000 and HK$753,953,000 respectively.

Security and guarantees

At the close of business on 31 July 2013, the Group's borrowings were secured by way of charge over certain assets including property, plant and equipment, intangible assets, prepaid land lease payments under operating leases, trade receivable, properties held under development and completed properties held for sale, bank deposits, financial assets at fair value through profit and loss with a total net carrying value of approximately HK$4,512,360,000.

In addition, the Group's borrowings were secured by guarantees given by directors of the Company, the Company and certain subsidiaries and also secured by various share mortgages of certain subsidiaries, certain bank accounts charges and assignment of shareholders' loan of certain subsidiaries.

Contingent liabilities

Guarantees given in connection with credit facilities granted to:

	As at 31 July 2013
	HK$'000
An associate *(note)*	16,011
Third parties *(note)*	55,301
	71,312

Note: There have been no material developments in pending litigation against Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("**EPCIB**"), a Filipino bank, and Waterfront Philippines Inc. ("**Waterfront**"), a Filipino company, as disclosed in the Group's annual audited financial statements for the year ended 31 December 2012. Due to the pending litigation, the Group cannot ascertain the fair value of the guarantee in respect of the loan made available by EPCIB to the Company's associate.

Up to the Latest Practicable Date, information of the outstanding balance of the indebtedness of the ICBC Loan (as defined in the Company's 2012 annual report) ("**ICBC Indebtedness**") disclosed in the Group's annual audited financial statements for the year ended 31 December 2012 for ascertaining the fair value of the guarantee for ICBC Indebtedness has yet been available.

Except for the above, the Group has some litigations as at 31 July 2013 which the Group considered that it would not incur a material outflow of resources as a result of these litigations. For details, please refer to point 6 of Appendix V.

Saved as aforesaid and apart from intra-group liabilities and normal accounts payable, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans debt securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 July 2013.

2. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Upon completion, the Remaining Group was continuously engaged in property development, culture and media services, and also corporate IT application services through its listed subsidiary, Sino-i. During the year of 2012, turnover from continuing operations was approximately HK$1,953,568,000 (2011: HK$2,333,452,000).

For the property development segment, during the year of 2012, residential units of Phase 2 of "The Peninsula" in Shenzhen were sold with sales proceeds of approximately RMB73.4 million. As at 31 December 2012, approximately 97.9% of the residential area was sold, with 43 units left. The construction matters of Phase 3 of "The Peninsula" have been reactivated upon obtaining the final favourable judgment from the court in Shenzhen, the PRC, in early May 2013. The judgment withdraws the disapproval of the revised design plans for increasing the portion of coastal premises with panoramic view, which command a higher selling price.

With respect to cinema investment and construction business, the Company's Dadi group had approximately 151 cinemas with approximately 693 screens in operation as at 31 December 2012. During the year of 2012, the box office receipts of Dadi group amounted to approximately RMB781.5 million, representing a growth of approximately 46.4% as compared with 2011, and a share of approximately 4.7% of the national box office. In 2012, Dadi group successfully turned around from loss position by having a net profit before income tax of approximately HK$17.4 million.

The Remaining Group's corporate IT application services business improved its overall loss position in 2012 through various measures such as the launching of new products, streamlining expenses and tightening costs. 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli"), a major subsidiary of Sino-i, managed to cut down the number of employees by way of operation rationalization, workflow optimization and internal structure streamlining despite its failure to achieve growth in income in 2012. Enhancement in technological operating efficiency and reduction in product operating costs were achieved by means of technology advancement. Therefore, overall loss decreased by approximately HK$83.3 million, representing a loss reduction of approximately 40.6%.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

The following is the management discussion and analysis of the Remaining Group for the year ended 31 December 2012.

1. Business review

During 2012, the Remaining Group were principally engaged in property development, culture and media, and corporate IT application services businesses. Turnover of the Remaining Group was approximately HK$1,953.6 million and net loss attributable to the owners of the Remaining Group was approximately HK$298.3 million. The segmental information of the Remaining Group in 2012 is shown as follows:

Property Development

As at 31 December 2012, approximately 97.9% of the gross floor area of Phase 2 of "The Peninsula" in Shenzhen, the PRC, was sold, which generated sales proceeds of approximately RMB73.4 million.

In 2012, turnover of this division was approximately HK$96.5 million (2011: HK$736.2 million). Net loss before income tax was approximately HK$40.9 million (2011: net profit before income tax HK$142.7 million).

Culture and Media

With respect to cinema investment and construction business, as at 31 December 2012, Dadi group had approximately 151 cinemas, having approximately 693 screens in operation (representing approximately 5.3% of the total number of screens nationwide), which provide approximately 107,832 seats. In 2012, the box office receipts of Dadi's digital cinemas amounted to approximately RMB781.5

million, representing a growth of approximately 46.4% as compared with the corresponding period last year, and a share of 4.7% of the national box office. In the meantime, admissions increased by approximately 49.8% and showing times increased by approximately 70.6%. As a result, the loss situation of this division has successfully been turned around.

In 2012, turnover of this division was approximately HK$1,166.0 million (2011: HK$779.6 million), representing a growth of approximately 49.6% over the corresponding period of last year. Net profit before income tax was approximately HK$17.4 million (2011: net loss before income tax of HK$116.3 million).

Corporate IT Application Services

In 2012, the Remaining Group's corporate IT application services division through such effective measures as streamlining expenses, tightening costs and launching of new products improved its overall loss position. Turnover was approximately HK$659.1 million (2011: HK$792.0 million).

Failure to achieve the growth in income from continuing operations was mainly due to two reasons:

Firstly, Sino-i group's major target customer group, being SMEs in China, in particular, manufacturing enterprises which account for the largest proportion of Sino-i group's business, were impacted to a larger extent by the deterioration in the global economic condition, prompting a relatively cautious approach in relation to IT investments and thus a fall in demand.

Secondly, the contribution from the large-scale expansion of branch operations carried out by CE Dongli in the second half of 2011 was not yet reflected in the results for 2012, mainly due to the fact that those new branch offices were still at its development stage, and that all the target regions for expansion were new markets which were still in their infancy.

Despite failure to achieve the growth in income from continuing operations, CE Dongli managed to cut down the number of employees by the way of operations rationalization, workflow optimization and internal structure streamlining. Enhancement in technological operating efficiency and reduction in product operating costs were also achieved by means of technology advancement, therefore, a reduction has been recorded in overall costs and expenses, overall loss decreased by approximately HK$83.3 million, representing a loss reduction of approximately 40.6%.

2. Liquidity, financial resource and capital

During 2012, the Remaining Group continued to adopt prudent funding and treasury policies. As at 31 December 2012, the Remaining Group had cash and bank balances of approximately HK$955.7 million (2011: HK$261.3 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2012, the Remaining Group's aggregate borrowings (which consisted of RMB1,742.6 million, US$313.1 million and HK$0.4 million) were approximately HK$4,594.7 million (2011: HK$3,967.4 million) of which approximately HK$2,853.4 million (2011: HK$2,784.7 million) were bearing fixed rates while approximately HK$1,741.3 million (2011: HK$ 1,182.7 million) were at floating rates. The gearing ratio of the Remaining Group which is calculated as net debt divided by the adjusted capital plus net debt, decreased from approximately 48.0% as at 31 December 2011 to approximately 43.7% as at 31 December 2012.

As at 31 December 2012, the Remaining Group's capital commitment was approximately HK$433.2 million, of which approximately HK$151.5 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK$281.7 million would be used as capital expenditures for the expansion of its cinema business.

The Remaining Group's contingent liabilities as at 31 December 2012 were approximately HK$78.2 million in connection with the guarantees given to secure credit facilities.

As at 31 December 2012, certain interests in leasehold land, construction in progress, buildings, properties under development and completed properties held for sale, bank deposits, and property, plant and equipment and trade receivables with a total net carrying value of approximately HK$2,927.8 million were pledged to secure the credit facilities granted to the Remaining Group. In addition, trading securities having a carrying value of approximately HK$0.2 million and certain shares of several subsidiaries were pledged, bank accounts were charged and shareholders' loan of three subsidiaries was assigned by securing the Remaining Group's credit facilities.

3. Material acquisition and disposal

On 31 October 2012, the Company entered into the Baitak SPA, pursuant to which the Company disposed of 30% of the entire issued capital and 30% of the shareholder's loan of Listar to Baitak for a consideration of US$160,380,314. The transaction was completed on 31 December 2012.

4. Exposure to fluctuation in exchange rates

The majority of the Remaining Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the economy of China is expected to warrant a continued appreciation of Renminbi. The Remaining Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Remaining Group during the year under review, the Remaining Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Remaining Group, the management of the

Remaining Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Remaining Group may make appropriate foreign exchange hedging arrangements when necessary.

5. Employees

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2012, the Remaining Group had approximately 10,764 employees (2011: 11,870 employees). The salaries of and allowances for employees for the year ended 31 December 2012 were approximately HK$788.5 million (2011: HK$871.5 million).

The following is the management discussion and analysis of the Remaining Group for the year ended 31 December 2011.

1. Business review

During 2011, the Remaining Group were principally engaged in property development, and committed to culture and media services through a chain subsidiaries namely "Dadi". It was also engaged in corporate IT application services, financial information services and distance learning education services through Sino-i. Turnover of the Remaining Group was approximately HK$2,365.8 million (comprising HK$2,333.5 million from continuing operations and HK$32.3 million from discontinued operations) and net loss attributable to the owners of the Remaining Group was approximately HK$460.4 million. The segmental information of the Remaining Group in 2011 is shown as follows:

Property Development

In 2011, due to the PRC government's step-up measures in curbing the property market, sales of Phase 2 of "The Peninsula" in Shenzhen did not measure up to the expectation of the Company, having some approximately 53 units unsold. As at 31 December 2011, approximately 96.2% of the gross floor area of Phase 2 was sold, which generated sales proceeds of approximately RMB610.0 million.

In 2011, turnover of this division was approximately HK$736.2 million (2010: HK$715.6 million) while net profit before income tax was approximately HK$142.7 million (2010: HK$72.0 million).

Culture and Media

In 2011, development of the film industry in the PRC remained in good momentum. According to the data released by The State Administration of Radio, Film, and Television on 9 January 2012, gross box office receipts nationwide amounted to RMB13.115 billion, representing a 28.93% growth over the corresponding period last year.

As regards cinema investment and construction, for the year ended 31 December 2011, Dadi group had approximately 119 cinemas, having approximately 519 screens in operation, representing 3.94% of the total number of screens in operation on the nationwide basis. In 2010, number of cinemas operated by Dadi group and box office receipts from such cinemas were approximately 70 and RMB337.8 million respectively, a significant growth in number of cinemas and box office receipts in 2011 as compared to 2010.

In 2011, turnover of this division was approximately HK$779.6 million (2010: HK$488.8 million), representing a growth of approximately 59.49% over the corresponding period of last year. Net loss before income tax was approximately HK$116.3 million (2010: HK$63.5 million).

Corporate IT Application Services

The Sino-i group's corporate IT application services division maintained its business development, including launching of an operating system for B2C online trading, which earned acclaims from customers; and establishment of 14 branch offices which led this division to having a network covering over 80 cities in the PRC. Therefore, sales income increased to some extent. However, for encouraging the sales personnel to sell new IT products to new customers in the PRC, the sales commissions were increased substantially. Besides, in order to upkeep the competitiveness in labour market and comply with the mandatory minimum wages in the PRC, wages of staff were adjusted accordingly. Additional workforce in R&D was required to ensure the competitiveness of IT products. In view of the foregoing matters, an increase in operating costs was inevitable. Moreover, investment loss was recorded in disposal of certain loss-making entities and businesses. As a result, this division's overall loss substantially increased by comparing with its loss in 2010. In order to meet the profit target by way of cost control, this division adjusted the sales commission structure applicable to new customers since the first quarter of 2012. In addition, responsibilities of R&D personnel will also be adjusted for further cost control.

In 2011, turnover and net loss before income tax of this division were approximately HK$792.0 million (2010: HK$711.6 million) and approximately HK$205.4 million (2010: HK$97.1 million) respectively.

Discontinued Operation of Financial Information Services

In 2011, income from Sino-i group's financial information services division decreased over the previous year and loss further widened. The Remaining Group disposed of this division in late 2011. During 2011, turnover and net loss before income tax of this division were approximately HK$19.6 million (2010: HK$20.2 million) and approximately HK$42.4 million (2010: HK$36.3 million) respectively.

Discontinued Operation of Distance Learning Education Services

The Sino-i group's profit-making distance learning education services division slipped into loss in 2011 mainly because of the rising cost resulting from the adjustment to product structure. The Remaining Group also disposed of the division in late 2011. During 2011, turnover and net loss before income tax of this division were approximately HK$12.8 million (2010: HK$10.2 million) and approximately HK$4.7 million (2010: net profit before income tax of HK$1.2 million) respectively.

2. Liquidity, financial resource and capital

During 2011, the Remaining Group continued to adopt prudent funding and treasury policies. As at 31 December 2011, the Remaining Group had cash and bank balances of approximately HK$261.3 million (2010: HK$291.9 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2011, the Remaining Group's aggregate borrowings (which consisted of RMB814.3 million, US$381.3 million and HK$0.5 million) amounted to approximately HK$3,967.4 million (2010: HK$2,893.2 million) of which approximately HK$2,784.7 million (2010: HK$2,525.3 million) were bearing fixed rates while approximately HK$1,182.7 million (2010: HK$ 367.9 million) were at floating rates. The gearing ratio of the Remaining Group which is calculated as net debt divided by the adjusted capital plus net debt, increased from approximately 37.5% as at 31 December 2010 to approximately 48.0% as at 31 December 2011.

As at 31 December 2011, the Remaining Group's capital commitment was approximately HK$303.7 million, of which approximately HK$116.0 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK$187.7 million would be used for the expansion of its cinema operations.

The Remaining Group's contingent liabilities as at 31 December 2011 were approximately HK$79.9 million in connection with the guarantees given to secure credit facilities.

As at 31 December 2011, certain interests in leasehold land, construction in progress, properties held for development and completed properties held for sale, bank deposits, intangible assets and property, plant and equipment with a total net carrying value of approximately HK$890.2 million were pledged to secure the credit facilities granted to the Remaining Group. In addition, trading securities having a carrying value of approximately

HK$0.2 million and certain shares of several subsidiaries were pledged, bank accounts were charged and shareholders' loan of two subsidiaries was assigned by securing the Remaining Group's credit facilities.

3. Exposure to fluctuation in exchange rates

The majority of the Remaining Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the economy of China is expected to warrant a continued appreciation of Renminbi. The Remaining Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Remaining Group during the year under review, the Remaining Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Remaining Group, the management of the Remaining Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Remaining Group may make appropriate foreign exchange hedging arrangements when necessary.

4. Employees

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2011, the Remaining Group had approximately 11,870 employees (2010: 11,093 employees). The salaries of and allowances for employees for the year ended 31 December 2011 were approximately HK$871.5 million (2010: HK$674.0 million).

The following is the management discussion and analysis of the Remaining Group for the year ended 31 December 2010.

1. Business review

During 2010, the Remaining Group were principally engaged in property development, and committed to culture and media services through Dadi. It was also engaged in corporate IT application services, financial information services and distance learning education services through Sino-i. Turnover of the Remaining Group was approximately HK$1,963.5 million and net loss attributable to the owners of the Remaining Group was approximately HK$341.7 million. The segmental information of the Remaining Group in 2010 is shown as follows:

Property Development

In 2010, the Remaining Group continued to sell Phase 2 of "The Peninsula" in Shenzhen. Approximately 21,800 sq.m. of the gross floor area were sold, which generated sales proceeds of approximately RMB620.4 million. As at 31 December 2010, approximately 90% of gross floor area of Phase 2 was sold.

In 2010, turnover of this division was approximately HK$715.6 million while net profit before income tax was approximately HK$72.0 million.

Culture and Media

In 2010, the culture and media division of the Remaining Group developed rapidly. Significant improvements were achieved in such areas as investment in cinema, online ticketing, film distribution and technical cooperation etc.. As at the end of February 2011, there were 88 digital cinemas in operations, having approximately 359 screens and providing approximately 63,000 seats. Meanwhile, additional 12 cinemas with 62 screens and providing approximately 10,000 seats were completed but pending for commencement of operations. Moreover, 20 cinemas with 98 screens and providing approximately 15,000 seats were under construction. In 2010, Dadi group's cinemas recorded an aggregate box office of approximately RMB337.8 million, representing a growth of 172% as compared with the same period of last year.

In 2010, turnover and net loss before income tax of this division were approximately HK$488.8 million and approximately HK$63.5 million respectively.

Corporate IT Application Services

Sino-i group's corporate IT application services division retained the business continuity and stability from the previous year. The website, e-commerce platform, mailbox and virtual hosting business carried out by the subsidiaries of Sino-i, achieved a greater growth by comparing with the previous year.

In 2010, turnover and net loss before income tax of this division were approximately HK$711.6 million and approximately HK$97.1 million respectively.

Financial Information Services

In 2010, turnover and net loss before income tax of this division were approximately HK$20.2 million and approximately HK$36.3 million respectively.

Distance Learning Education Services

In 2010, turnover and net profit before income tax of this division were approximately HK$10.2 million and approximately HK$1.2 million respectively.

2. Liquidity, financial resource and capital

During 2010, the Remaining Group continued to adopt prudent funding and treasury policies. As at 31 December 2010, the Remaining Group had cash and bank balances of approximately HK$291.9 million which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2010, the Remaining Group's aggregate borrowings (which consisted of RMB381.9 million and US$314.2 million) amounted to approximately HK$2,893.2 million of which approximately HK$2,525.3 million were bearing fixed rates while approximately HK$ 367.9 million were at floating rates. The gearing ratio of the Remaining Group which is calculated as net debt divided by the adjusted capital plus net debt, was 37.5% as at 31 December 2010.

As at 31 December 2010, the Remaining Group's capital commitment was approximately HK$384.8 million, of which approximately HK$144.5 million would be used as the funding for the construction of the headquarters of corporate IT application services, and approximately HK$240.3 million would be used for the expansion of its cinema operations.

The Remaining Group's contingent liabilities as at 31 December 2010 were approximately HK$79.5 million due to the guarantees given in connection with credit facilities.

As at 31 December 2010, certain properties held for development and completed properties held for sale with a total net carrying value of approximately HK$41.5 million were pledged to secure the credit facilities granted to the Remaining Group. In addition, certain debt securities, and equity securities and bank deposits with a carrying value of approximately HK$38.3 million were pledged for a standby letter of credit up to US$12.6 million issued by a financial institution and other credit facilities respectively.

3. Exposure to fluctuation in exchange rates

The majority of the Remaining Group's borrowings and transactions were primarily denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The continued growth in the economy of China is expected to warrant a continued appreciation of Renminbi. The Remaining Group's reported assets, liabilities and results may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Remaining Group during the year under review, the Remaining Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Remaining Group, the management of the Remaining Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Remaining Group may make appropriate foreign exchange hedging arrangements when necessary.

4. Employees

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2010, the Remaining Group had approximately 11,093 employees. The salaries of and allowances for employees for the year ended 31 December 2010 were approximately HK$674.0 million.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Group's internal resources, cash flow from operations, and the new banking facilities in an amount of approximately RMB1,570 million (comprising RMB1,200 million for working capital and property development; RMB200 million for working capital; and RMB170 million for operations) to be obtained, the Group after completion of the proposed Disposal, will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular. It is expected that the aforesaid new banking facilities of RMB0.37 billion and RMB1.2 billion will be available on or before 31 October 2013 and before the commencement of phase 3 of "The Peninsula", respectively, and that no impediment to obtain such facilities. The terms and conditions for the aforesaid new banking facilities are expected to be those customary ones, including completion of mandatory security filing and registration with the governing departments in the PRC; no creation of any additional encumbrances over the security; no dissolution and liquidation of the borrower; and corporate guarantee etc. In the event that the aforesaid new banking facilities could not be obtained, the Group would consider to (i) dispose of some of its assets e.g. plot(s) of bare land located in the property project of "The Peninsula"; and/or (ii) raise funds by other alternatives, e.g. borrowings from other financiers and issuance of derivatives e.g. convertible bonds, exchangeable bonds, rights issue, warrants and etc.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any circumstances or events that may give rise to any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated accounts of the Group were made up.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

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

VIGERS 威格斯

12 September 2013

The Directors
Nan Hai Corporation Limited
26/F., Siu On Centre,
188 Lockhart Road,
Wanchai,
Hong Kong

Dear Sirs,

Re: Valuation of Free Man Garden (a residential development) located at Dongjing Section of Guanghua Gonglu, Xinhua Town Huadu District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with instruction from Nan Hai Corporation Limited (the "Company") for us to assesses the value of the above-mentioned property interest held by its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of (1) the market value of such property interest in its existing state and (2) the property's Capital Value When Completed as at 31 May 2013 (the "Date of Valuation") for public circular purpose.

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

In valuing the property interest which is held by the Group under development in the PRC, we have valued such property interest on the basis that it will be developed and completed in accordance with the latest development proposal as provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "Capital Value When Completed" (also known as Gross Development Value) represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the Date of Valuation.

Our valuation has been made on the assumption that the owner sells the relevant property interest in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which would serve to increase the value of such interest. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting a sale and no forced sale situation in any manner is assumed in our valuation.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any structural defects. No tests were carried out on any of the services.

In valuing the property interest, we have assumed that the owner has free and uninterrupted rights to use, occupy or assign the property interest for the whole of the unexpired term of the respective land use rights. Furthermore, we have also assumed that all consents, approvals and licences from relevant PRC government authorities for development of the property interest were granted without any onerous conditions or undue delay.

In the course of our valuation, we have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. However, we have been provided with extracts of title documents relating to the property interest. We have not, however, searched the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which do not appear on the copies handed to us. We have relied on the legal opinion (the "PRC legal opinion") provided by the Group's PRC legal adviser, 北京市中濟律師事務所 (Beijing Zhongji Law Firm).

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and therefore are only approximations.

In the course of our valuation, we have made certain valuation assumptions that are regarded as reasonable and appropriate in the current circumstances. We have also assumed that all consents, approvals and licences from relevant government authorities for the property under development have been granted without any onerous conditions or undue time delay which might affect its value. Where there exists of absence of evidence, we have assumed that the terms of land use rights of the appraised property in the PRC commenced from the issuance date of its respective State-owned Land Use Right Certificate.

Having perused all relevant documentation, we relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, construction costs, site and floor areas and in the identification of the property in which the Group has valid interests. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and we have not independently verified the information so provided.

Details of the current status of titles, grant of major approvals, licenses and documents of the property interest set out in the valuation certificate are based on the information provided by the Group. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material factors have been omitted from the information so provided for us to reach an informed view, and have no reason to suspect that any material information has been withheld. We have no responsibility for any legal matters concerning the legal title to the property interest set out in this letter and valuation certificate.

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

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

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

Unless otherwise stated, all monetary amounts stated are in Renminbi.

We enclosed herewith our valuation certificate.

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

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), China Real Estate Appraiser, has over twenty five years' experience in undertaking valuations of properties in Hong Kong and has over twenty two years' experience in valuations of properties in the PRC, Macau, Taiwan and Asia-Pacific region.

VALUATION CERTIFICATE

Property interests held by the Group for development

Property	Description and tenure	Particulars of Occupancy	Market Value in existing state as at 31 May 2013
Free Man Garden (a residential development) located at Dongjing Section of Guanghua Gonglu, Xinhua Town Huadu District, Guangzhou City, Guangdong Province, the PRC.	The property consists of a piece of oblong-shaped site with a total site area of approximately 615,249.94 sq.m. located at the southern side of Guang Hua Gong Lu amid Huadu District in Guangzhou. The property is planned to be developed into a large-scale comprehensive residential estate development. The gross floor area of the proposed development upon completion will be approximately as follows:	The construction work of Phase 1 was in progress of which all 22 residential towers have been completed up to roof level and were undergoing external work and infrastructure work whilst the commercial portion has been completed excavation stage. The construction work of Phase 2, 3, 4 and 5 of the property has not been started. The development is planned to be completed in phases between 2013 and 2017.	RMB3,273,500,000

Use	Gross Floor Area (*sq.m.*)
Residential	941,910
Commercial	33,590
Clubhouse	12,128
Kindergarten	7,230
Primary & Secondary School	13,850
Other Public Facility	11,180
Sub-total:	1,019,888
Clubhouse below ground	16,067
Sub-total:	16,067
Total:	1,035,955

The proposed development also consists of 7,423 car parking spaces upon completion.

The construction work of Phase 1 was in progress. As estimated by the Group, Phase 1 is scheduled to complete in 4th quarter of 2013 and the whole development will be completed in or about 2017.

The property is held under land use rights for various terms with the latest one being expired on 25 December 2068 for residential/composite uses. (Details please refer to Notes 5 to 10 below)

Notes:

1. Pursuant to 5 State-owned Land Use Right Grant Contracts and their five supplemental contracts, the land use rights of the property is granted to 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xin Cheng Real Estate Company Limited, referred hereinafter as "Guangzhou Dongjing"), the principal terms of the above contracts are as follows:

No.	State-owned Land Use Right Grant Contract *(Document No.)*	Land Area *(sq.m.)*	Term *(Years)*	Use	Land Premium *(RMB)*
1.	Hua Gua Fang De Zi (1998) Di No. 065	494,562.95	70	Commodity Property	148,368,000
2.	Hua Guo Tu (1993) De Pi Zi Di No. 532	33,486	70	Commercial and residential	3,378,737.4
3.	Hua Guo Tu (1993) De Pi Zi Di No. 536	26,796	70	Commercial and residential	2,703,716.4
4.	Hua Guo Tu (1993) De Pi Zi Di No. 545	28,913	70	Commercial and residential	2,917,321.7
5.	Hua Guo Tu (1993) De Pi Zi Di No. 574	30,000	70	Commercial and residential	3,027,000
	Total	**613,757.95**			**160,394,775.5**

2. According to State-owned Land Use Right Grant Contract (Document No. Hua Gua Fang De Zi (1998) Di No. 065) contains, inter-alia, the following conditions:

   (i) If Guangzhou Donjing does not use the land according to the terms agreed in this contract or does not invest in construction of the land in two years, the land use rights pertaining to the land may be taken back by the government according to the law.

   (ii) If either the Grantor or Guangzhou Donjing (Grantee) against any terms in this contract or its supplemental contract, it will be treated as breach of contract. All the losses will be handled according to the PRC law.

   (iii) The development shall be completed before 20 November 2000.

3. According to 3 State-owned Land Use Right Grant Contracts (Document Nos. Hua Guo Tu (1993) De Pi Zi Di No. 532, 545 and 574) contains, inter-alia, the following conditions:

   (i) If Guangzhou Donjing does not use the land according to the terms agreed in this contract or does not invest in construction of the land in two years, the land use rights pertaining to the land may be taken back by the government without any compensation.

   (ii) Guangzhou Donjing shall use the land according to the purposes permitted and shall construct the property pursuant to construction design plans approved by the government.

   (iii) The contract does not stipulate time limits for completion of the development.

4. According to a State-owned Land Use Right Grant Contract (Document No. Hua Guo Tu (1993) De Pi Zi Di No. 536) contains, inter-alia, the following conditions:

   (i) Guangzhou Donjing shall commence the development within 180 days from the land use rights granted. The construction of the property shall be at least 60% completed on gross floor area before 1 October 1996.

   (ii) Guangzhou Donjing shall use the land according to the purposes permitted and shall construct the property pursuant to construction design plans approved by the government.

5. According to two State-owned Land Use Right Certificates (Document Nos. Hua Guo Yong (93) Zi Di 11016292 and 11016293) both dated 28 December 1993 issued by the People's Government of Huadu City, portion of the site with a site area of approximately 33,486 sq.m. (Lot No.: 21 Qu 1 Zong) and 26,796 sq.m. (Lot No.: 21 Qu 2 Zong) respectively is vested in Guangzhou Dongjing for a term of 70 years commencing from 28 December 1993 and expiring on 27 December 2063 for composite uses.

6. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (97) Zi Di No. 11030357) dated 10 December 1997 issued by the People's Government of Hua Du City, portion of the site with an area of approximately 28,913 sq.m. (Lot No.: 121009) is vested in Guangzhou Dongjing for a term of 70 years commencing from 3 December 1993 and expiring on 2 December 2063 for residential (composite) uses.

7. According to a State-owned Land Use Right Certificates (Document Nos.: Hua Guo Yong (97) Zi Di No. 11030358) issued by the People's Government of Hua Du City, portion of the site with a site area of approximately 30,000 sq.m. (Lot No.: 121010) dated 12 December 1997 is vested in Guangzhou Dongjng for a term of 70 years commencing from 3 December 1997 and expiring on 2 December 2067 for residential (composite) uses.

8. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (2000) Zi Di 11034456) dated 1 December 2000 issued by the People's Government of Hua Du City, portion of the site with an area of approximately 33,330.57 sq.m. (Lot No.: 012017) is vested in Guangzhou Dongjing for a term expiring on 25 December 2068 for residential (composite) uses.

9. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (2004)Zi Di No. 720205) issued by the People's Government of Hua Du City, portion of the site with an area of approximately 65,924.67 sq.m. (Lot No.: 0121033) is vested in Guangzhou Dongjing for a term expiring on 20 December 2068 for residential uses.

10. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (2004) Zi Di No. 720206) issued by the People's Government of Hua Du City, portion of the site with an area of approximately 396,799.7 sq. m. (Lot No.: 0121032) is vested in Guangzhou Dongjing for a term expiring on 20 December 2068 for residential uses.

11. According to 7 State-owned Land Use Right Certificates as mentioned in Notes 5 to 10 above, Lot Nos. and site area of the property are summarized as follows:

No.	**State-owned Land Use Right Certificate** *(Document No.)*	**Lot No.**	**Site Area** *(sq.m.)*
1.	Hua Guo Yong (93) Zi Di 11016292	21 Qu 1 Zong	33,486
2.	Hua Guo Yong (93) Zi Di 11016293	21 Qu 2 Zong	26,796
3.	Hua Guo Yong (97) Zi Di 11030357	121009	28,913
4.	Hua Guo Yong (97) Zi Di 11030358	121010	30,000
5.	Hua Guo Yong (2000) Zi Di 11034456	012017	33,330.57
6.	Hua Guo Yong (2004) Zi Di 720205	0121033	65,924.67
7.	Hua Guo Yong (2004) Zi Di 720206	0121032	396,799.7
	Total		**615,249.94**

12. According to a Construction Land Use Planning Permit (Document No.: 93210) dated 16 August 1993 issued by Guangzhou City Town Planning Bureau Huadu Branch (廣州市城市規劃局花都區分局) in favour of 廣州東鏡新城房地產開發有限公司, the permitted site area for construction of the property is approximately 306,823 sq.m..

13. According to a Construction Land Use Planning Permit (Document No.: 94217) dated 30 July 1994 issued by Huadu City Planning Bureau (花都市規劃局) in favour of Guangzhou Dongjing, the permitted site area for construction of the property is approximately 494,562.95 sq.m..

14. According to a document issued by Guangzhou City Town Planning Bureau (廣州市城市規劃局) (Document: Sui Gui Pi (2007) No. 273) dated 12 September 2007, the permitted total gross floor area of the whole development is 1,292,351 sq.m. (1,032,551 sq.m. based on plot ratio). The aforesaid document contains, inter-alia, the following conditions:

Site Area	Net Site Area	Plot Ratio	Maximum Site Coverage	Green Area Ratio	No. of Units	Total Gross Floor Area *(sq.m.)*
615,253.9 sq.m.	570,509 sq.m.	1.8% (based on net site area of 570,509 sq.m.)	14.65% (based on net site area of 570,509 sq.m.)	36% (based on net site area of 570,509 sq.m.)	10,667 units	1,292,351 sq.m. (1,032,551 sq.m. based on plot ratio)

15. According to the aforesaid document (Document: Sui Gui Pi (2007) No. 273), Phase 3 (now Phase 1) of the property comprises the commercial portion and wet market with gross floor area of approximately 20,680 sq.m. and 2,000 sq.m. respectively. As informed by the Company, the commercial portion and wet market of Phase 1 have not yet been obtained Construction Work Planning Permits.

16. According to the following documents issued by Guangzhou City Town Planning Bureau (廣州市城市規劃局) in favour of Guangzhou Dongjing, Phase 1 of the property is permitted to comprise the following development:

Document No.	Building	Approved Gross Floor Area
穗規函(2009)8632	Residential	21,334 sq.m. above ground
穗規函(2009)8634	Residential	21,215 sq.m. above ground
穗規函(2009)8636	Residential	25,202 sq.m. above ground
穗規函(2009)8637	Residential	23,889 sq.m. above ground
穗規函(2009)8639	Residential	26,258 sq.m. above ground
穗規函(2009)8640	Residential	21,441 sq.m. above ground
穗規函(2009)8642	Residential	23,041 sq.m. above ground
穗規函(2009)8643	Residential	18,965 sq.m. above ground
穗規函(2009)8644	Residential	10,154 sq.m. above ground
穗規函(2009)8645	Residential	9,318 sq.m. above ground
穗規函(2009)8646	Residential	8,808 sq.m. above ground
Sub-total		209,625 sq.m. above ground
穗規函(2009)8647	Kindergarten	4,350 sq.m. above ground
Sub-total		4,350 sq.m. above ground
穗規函(2009)8648	Community Service Centre	7,821.01 sq.m. above ground 16,067 sq.m. below ground
Sub-total		7,821.01 sq.m. above ground 16,067 sq.m. below ground
穗規函(2010)785	Carpark and Plant Room on Basement	60,005 sq.m. below ground
Sub-total		60,005 sq.m. below ground
Total		221,796.01 sq.m. above ground 76,072 sq.m. below ground

17. According to a Construction Commencement Permit (No. 440118201002080101) issued by Guangzhou Huadu Development Bureau dated 8 February 2010 in favor of Guangzhou Dongjing (廣州東鏡新城房地產有限公司), Phase 1 of the property is permitted to commence the construction work of 22 blocks of residential buildings, kindergarten and basement of residential with a construction scale of approximately 273,981 sq.m.

18. According to a Construction Commencement Permit (No. 440118201101040201) issued by Guangzhou Huadu Development Bureau dated 4 January 2011 in favor of Guangzhou Dongjing (廣州東鏡新城房地產開發有限公司), Phase 1 of the property is permitted to commence the construction work of a community service centre with a construction scale of approximately 23,888.01 sq.m.

19. Pursuant to a Guangzhou Commodity Property Pre-sale Permit issued by Guangzhou Land Resources and Building Management Bureau on 8 October 2012, Phase 1 of the property comprising 960 residential units with total gross floor area of approximately 120,069.18 sq.m. is permitted to pre-sale.

20. Pursuant to a Guangzhou Commodity Property Pre-sale Permit issued by Guangzhou Land Resources and Building Management Bureau on 28 March 2013, Phase 1 of the property comprising 544 residential units with total gross floor area of approximately 84,711.68 sq.m. is permitted to pre-sale.

21. As instructed by the Company, we have valued the whole development including the sold portion of the development in our valuation for the sold portion has not yet been handed over to individual owners. The sold portion of the development comprising 1,096 residential units of Phase 1 with total gross floor area of approximately 139,906.16 sq.m.

    For the 1,096 residential units that were sold at a total consideration of about RMB1,210,292,217.

22. According to the development proposal and information given, the estimated total construction costs (excluding land costs) for developing the property as at 31 May 2013 was in the sum of RMB3,521,185,670 and the construction costs incurred at the Date of Valuation was approximately RMB1,102,818,596. In the course of our valuation, we have taken into account the said construction costs.

23. Based on the total gross floor area that is allowable to be sold in the future, the Capital Value when Completed of the proposed development is approximately RMB8,107,000,000.

24. The levy and computation of Land Appreciation Tax of the subject property have not been taken account into our valuation.

25. Pursuant to a Mortgage Contract (Document No.: GDY477390120100017) dated 5 July 2010, a portion of the site (State-owned Land Use Right Certificates Document No. Hua Guo Yong (2000) Zi Di No. 11034456 and Hua Guo Yong (2004) Zi Di No. 720205) with total land area of 99,255.24 sq.m. is subject to a mortgage in favour of Bank of China Limited (Guangzhou Huadu Branch) to guarantee a maximum loan of RMB400,000,000 for a period between 1 March 2010 and 1 March 2015.

26. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]40號) dated 22 April 2013, a portion of the site (State-owned Land Use Right Certificate Document No. Huao Guo Yong (2004) Zi Di No. 720206) with a land area of 396,799.7 sq.m. is subject to a mortgage in favour of 中國長城資產管理公司廣州辦事處.

27. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]44號) dated 3 May 2013, a portion of the site (State-owned Land Use Right Certificate Document No. Hua Guo Yong (2004) Zi Di No. 720206 with a land area of 396,799.7 sq.m. is subject to a mortgage in favour of 中國長城資產管理公司廣州辦事處.

28. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]42號) dated 3 May 2013, a portion of the site (State-owned Land Use Right Certificate Document No. and Hua Guo Yong (93) Zi Di 11016292) with a land area of 33,486 sq.m. is subject to a mortgage in favour of 中國長城資產管理公司廣州辦事處.

29. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]43號) dated 22 April 2013, a portion of the property comprising various residential units with a total gross floor area of approximately 27,448.58 sq.m. is subject to a mortgage in favour of中國長城資產管理公司廣州辦事處.

30. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]41號) dated 3 May 2013, a portion of the property comprising various residential units with a total gross floor area of approximately 23,559.55 sq.m. is subject to a mortgage in favour of中國長城資產管理公司廣州辦事處.

31. Pursuant to a Mortgage Contract (Document No.: GDY477390120130007) dated 12 March 2013, various residential units are subject to a mortgage in favour of Bank of China Limited (Guangzhou Huadu Branch) to guarantee a maximum loan of RMB100,000,000 for a period expiring on 1 March 2015.

32. In the course of our valuation, we have made the following assumptions:

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

- We have valued such property interest on the basis that it will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all necessary approvals for the proposals have been obtained;

- The design and construction of the future development to be erected over the subject land is in compliance with the land planning regulations and have been approved by the relevant authorities;

- In the course of our valuation, we have not conducted any land surveying to verify the correctness of the site boundaries. We have valued the Property in its existing state and according to the boundary information given to us by the Instructing Party;

- Should there exists any change in site area or other important development parameters such as the plot ratio, site coverage, building height restriction etc., we would like to reserve our rights for amending our valuation;

- The property is free from any mortgage, legal charges, order and other encumbrances which may cause adversely effect on the titleship of the property; and

- the land premium and other costs of ancillary utility services for the subject Property has been fully paid and there will be no need to pay any resettlement and ancillary utilities costs in relation to this project.

33. The PRC legal opinion states, inter alia, the following

(i) The ownership of the land use rights is legally vested in Guangzhou Dongjing.

(ii) Guangzhou Dongjing is legally entitled to build commercial and residential buildings on the property and mortgage the land use rights. After completion of the buildings, Guangzhou Dongjing is legally entitled to sell and mortgage the buildings.

(iii) The land use rights of lands with land use rights certificate No. 花國用(2004)字第720206號, 花國用(93)字第11016292號, 花國用(2000)字第11034456號, 花國用(2004)字第720205號 and various residential units are subject to mortgage.

(iv) The land premium has been fully settled.

(v) Guangzhou Dongjing has obtained approval issued by the relevant government authorities for construction of residential, clubhouse and kindergarten of Phase 1 of the property, whilst has not yet been obtained approval for construction of commercial and wet market of Phase 1 of the property. The PRC legal opinion has foreseen there is no substantial penalty nor legal consequences for Guangzhou Dongjing for the construction work of commercial portion of Phase 1 performed without the obtain of the Construction Work Planning Permits. The PRC legal opinion has also foreseen there is no legal impediment to obtain Construction Work Planning Permit and Construction Commencement Permit of commercial portion of Phase 1. According to Guangzhou Dongjing, the permits for construction of commercial portion of Phase 1 will be obtained in 2013.

(vi) A Pre-sale Permit of 1,504 residential units with total gross floor area of 204,780.86 sq.m. has been obtained.

(vii) Guangzhou Dongjing has pre-sale 1,096 residential units as at 31 May 2013. The aforesaid 1,096 residential units are under construction and have not yet been hand over to individual owners. Therefore, the ownership of the aforesaid 1,096 residential units is legally vested in Guangzhou Dongjing as at 31 May 2013. The sales and purchase agreements of the aforesaid 1,096 residential units have been registered with the appropriate government authorities and registration of ownership of pre-sale commodity property of the aforesaid 1,096 residential units have been completed. Guangzhou Dongjing will apply for permit of hand over to individual owners from relevant government authorities upon completion of the buildings. These buildings are planned to be completed in about fourth quarter of 2013. The aforesaid 1,096 residential units are not subject to any mortgage.

(viii) The PRC legal opinion found that Guangzhou Dongjing did not follow the land use conditions contained in the 5 Land Use Rights Grant Contracts. However, in view of the Construction Commencement Permit and Pre-sale Permit of a portion of Phase 1 have been obtained and Guangzhou Dongjing does not receive any notice or penalty from Guangzhou Huadu Land Resources and Building Management Bureau or any relevant government authorities. The PRC lawyer, in the opinion that Guangzhou Dongjing did not follow the land use conditions contained in the Land Use Rights Grant Contracts should not affect Guangzhou Dongjing's legal right to use the land.

34. The property is situated in Huadu District of Guangzhou. Huadu District is located in the northern suburban area of Guangzhou. The residential sector in Guangzhou registered a growth in transaction volume between end of February and beginning of March 2013, as the announcement of the further regulations with five new measures to cool the residential market on 1 March 2013. Many buyers feared that new regulations, especially the 20% capital gains tax, might drive up their purchasing costs, and therefore brought forward home purchases before the new policies took effect. In respect of the general property market condition, both supply and demand of residential sector are mainly come from suburban area such as Huadu District, estimated to be over 200,000 sq.m. supply and amount to over 300,000 sq.m. transaction volume in January and February 2013. According to the 70 large-and-medium-size cites' price index of newly developed residential units published by the National Bureau of Statistics of China in April 2013, it has reported that a rising trend of the general price level for Guangzhou's newly developed residential units, the sales price increased steadily, about 8% between beginning of 2013 and April 2013. In the first quarter of 2013, the general price level of newly developed residential units in Huadu District was about RMB8,000 — RMB10,000/sq.m.

35. The property was inspected by Ms. Kathy Xu, Senior Manager, China Real Estate Appraiser (CREA), MRICS on 21 June 2013.

Vigers Appraisal & Consulting Limited
International Asset Appraisal Consultants

VIGERS 威格斯

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

24 September 2013

The Directors
Nan Hai Corporation Limited
26/F., Siu On Centre,
188 Lockhart Road,
Wanchai,
Hong Kong

Dear Sirs,

Re: Valuation of Free Man Garden (a residential development) located at Dongjing Section of Guanghua Gonglu, Xinhua Town Huadu District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")

In accordance with instruction from Nan Hai Corporation Limited (the "Company") for us to assesses the value of the above-mentioned property interest held by its subsidiaries (together referred to as the "Group") located in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of (1) the market value of such property interest in its existing state and (2) the property's Capital Value When Completed as at 30 June 2013 (the "Date of Valuation") for public circular purpose.

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

In valuing the property interest which is held by the Group under development in the PRC, we have valued such property interest on the basis that it will be developed and completed in accordance with the latest development proposal as provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "Capital Value When Completed" (also known as Gross Development Value) represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the Date of Valuation.

Our valuation has been made on the assumption that the owner sells the relevant property interest in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which would serve to increase the value of such interest. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting a sale and no forced sale situation in any manner is assumed in our valuation.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any structural defects. No tests were carried out on any of the services.

In valuing the property interest, we have assumed that the owner has free and uninterrupted rights to use, occupy or assign the property interest for the whole of the unexpired term of the respective land use rights. Furthermore, we have also assumed that all consents, approvals and licences from relevant PRC government authorities for development of the property interest were granted without any onerous conditions or undue delay.

In the course of our valuation, we have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. However, we have been provided with extracts of title documents relating to the property interest. We have not, however, searched the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which do not appear on the copies handed to us. We have relied on the legal opinion (the "PRC legal opinion") provided by the Group's PRC legal adviser, 北京市中濟律師事務所 (Beijing Zhongji Law Firm).

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and therefore are only approximations.

In the course of our valuation, we have made certain valuation assumptions that are regarded as reasonable and appropriate in the current circumstances. We have also assumed that all consents, approvals and licences from relevant government authorities for the property under development have been granted without any onerous conditions or undue time delay which might affect its value. Where there exists of absence of evidence, we have assumed that the terms of land use rights of the appraised property in the PRC commenced from the issuance date of its respective State-owned Land Use Right Certificate.

Having perused all relevant documentation, we relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, construction costs, site and floor areas and in the identification of the property in which the Group has valid interests. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and we have not independently verified the information so provided.

Details of the current status of titles, grant of major approvals, licenses and documents of the property interest set out in the valuation certificate are based on the information provided by the Group. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material factors have been omitted from the information so provided for us to reach an informed view, and have no reason to suspect that any material information has been withheld. We have no responsibility for any legal matters concerning the legal title to the property interest set out in this letter and valuation certificate.

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

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

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

Unless otherwise stated, all monetary amounts stated are in Renminbi.

We enclosed herewith our valuation certificate.

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

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), China Real Estate Appraiser, has over twenty five years' experience in undertaking valuations of properties in Hong Kong and has over twenty two years' experience in valuations of properties in the PRC, Macau, Taiwan and Asia-Pacific region.

VALUATION CERTIFICATE

Property interests held by the Group for development

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of Occupancy</th><th>Market Value in existing state as at 30 June 2013</th></tr>
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<td>The property consists of a piece of oblong-shaped site with a total site area of approximately 615,249.94 sq.m. located at the southern side of Guang Hua Gong Lu amid Huadu District in Guangzhou.

The property is planned to be developed into a large-scale comprehensive residential estate development. The gross floor area of the proposed development upon completion will be approximately as follows:

<table>
<tr><th>Use</th><th>Gross Floor Area
(sq.m.)</th></tr>
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<tr><td>Kindergarten</td><td>7,230</td></tr>
<tr><td>Primary & Secondary School</td><td>13,850</td></tr>
<tr><td>Other Public Facility</td><td>11,180</td></tr>
<tr><td>Sub-total:</td><td>1,019,888</td></tr>
<tr><td>Clubhouse below ground</td><td>16,067</td></tr>
<tr><td>Sub-total:</td><td>16,067</td></tr>
<tr><td>Total:</td><td>1,035,955</td></tr>
</table>

The proposed development also consists of 7,423 car parking spaces upon completion.

The construction work of Phase 1 was in progress. As estimated by the Group, Phase 1 is scheduled to complete in 4th quarter of 2013 and the whole development will be completed in or about 2017.

The property is held under land use rights for various terms with the latest one being expired on 25 December 2068 for residential/composite uses. (Details please refer to Notes 5 to 10 below)</td>
<td>The construction work of Phase 1 was in progress of which all 22 residential towers have been completed up to roof level and were undergoing external work and infrastructure work whilst the commercial portion has been completed excavation stage.

The construction work of Phase 2, 3, 4 and 5 of the property has not been started.

The development is planned to be completed in phases between 2013 and 2017.</td>
<td>RMB3,322,500,000</td>
</tr>
</table>

Notes:

1. Pursuant to 5 State-owned Land Use Right Grant Contracts and their five supplemental contracts, the land use rights of the property is granted to 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xin Cheng Real Estate Company Limited, referred hereinafter as "Guangzhou Dongjing"), the principal terms of the above contracts are as follows:

No.	**State-owned Land Use Right Grant Contract** *(Document No.)*	**Land Area** *(sq.m.)*	**Term** *(Years)*	**Use**	**Land Premium** *(RMB)*
1.	Hua Gua Fang De Zi (1998) Di No. 065	494,562.95	70	Commodity Property	148,368,000
2.	Hua Guo Tu (1993) De Pi Zi Di No. 532	33,486	70	Commercial and residential	3,378,737.4
3.	Hua Guo Tu (1993) De Pi Zi Di No. 536	26,796	70	Commercial and residential	2,703,716.4
4.	Hua Guo Tu (1993) De Pi Zi Di No. 545	28,913	70	Commercial and residential	2,917,321.7
5.	Hua Guo Tu (1993) De Pi Zi Di No. 574	30,000	70	Commercial and residential	3,027,000
	Total	**613,757.95**			**160,394,775.5**

2. According to State-owned Land Use Right Grant Contract (Document No. Hua Gua Fang De Zi (1998) Di No. 065) contains, inter-alia, the following conditions:

   (i) If Guangzhou Donjing does not use the land according to the terms agreed in this contract or does not invest in construction of the land in two years, the land use rights pertaining to the land may be taken back by the government according to the law.

   (ii) If either the Grantor or Guangzhou Donjing (Grantee) against any terms in this contract or its supplemental contract, it will be treated as breach of contract. All the losses will be handled according to the PRC law.

   (iii) The development shall be completed before 20 November 2000.

3. According to 3 State-owned Land Use Right Grant Contracts (Document Nos. Hua Guo Tu (1993) De Pi Zi Di No. 532, 545 and 574) contains, inter-alia, the following conditions:

   (i) If Guangzhou Donjing does not use the land according to the terms agreed in this contract or does not invest in construction of the land in two years, the land use rights pertaining to the land may be taken back by the government without any compensation.

   (ii) Guangzhou Donjing shall use the land according to the purposes permitted and shall construct the property pursuant to construction design plans approved by the government.

   (iii) The contract does not stipulate time limits for completion of the development.

4. According to a State-owned Land Use Right Grant Contract (Document No. Hua Guo Tu (1993) De Pi Zi Di No. 536) contains, inter-alia, the following conditions:

   (i) Guangzhou Donjing shall commence the development within 180 days from the land use rights granted. The construction of the property shall be at least 60% completed on gross floor area before 1 October 1996.

   (ii) Guangzhou Donjing shall use the land according to the purposes permitted and shall construct the property pursuant to construction design plans approved by the government.

5. According to two State-owned Land Use Right Certificates (Document Nos. Hua Guo Yong (93) Zi Di 11016292 and 11016293) both dated 28 December 1993 issued by the People's Government of Huadu City, portion of the site with a site area of approximately 33,486 sq.m. (Lot No.: 21 Qu 1 Zong) and 26,796 sq.m. (Lot No.: 21 Qu 2 Zong) respectively is vested in Guangzhou Dongjing for a term of 70 years commencing from 28 December 1993 and expiring on 27 December 2063 for composite uses.

6. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (97) Zi Di No. 11030357) dated 10 December 1997 issued by the People's Government of Hua Du City, portion of the site with an area of approximately 28,913 sq.m. (Lot No.: 121009) is vested in Guangzhou Dongjing for a term of 70 years commencing from 3 December 1993 and expiring on 2 December 2063 for residential (composite) uses.

7. According to a State-owned Land Use Right Certificates (Document Nos.: Hua Guo Yong (97) Zi Di No. 11030358) issued by the People's Government of Hua Du City, portion of the site with a site area of approximately 30,000 sq.m. (Lot No.: 121010) dated 12 December 1997 is vested in Guangzhou Dongjng for a term of 70 years commencing from 3 December 1997 and expiring on 2 December 2067 for residential (composite) uses.

8. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (2000) Zi Di 11034456) dated 1 December 2000 issued by the People's Government of Hua Du City, portion of the site with an area of approximately 33,330.57 sq.m. (Lot No.: 012017) is vested in Guangzhou Dongjing for a term expiring on 25 December 2068 for residential (composite) uses.

9. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (2004)Zi Di No. 720205) issued by the People's Government of Hua Du City, portion of the site with an area of approximately 65,924.67 sq.m. (Lot No.: 0121033) is vested in Guangzhou Dongjing for a term expiring on 20 December 2068 for residential uses.

10. According to a State-owned Land Use Right Certificate (Document No.: Hua Guo Yong (2004) Zi Di No. 720206) issued by the People's Government of Hua Du City, portion of the site with an area of approximately 396,799.7 sq. m. (Lot No.: 0121032) is vested in Guangzhou Dongjing for a term expiring on 20 December 2068 for residential uses.

11. According to 7 State-owned Land Use Right Certificates as mentioned in Notes 5 to 10 above, Lot Nos. and site area of the property are summarized as follows:

No.	**State-owned Land Use Right Certificate** *(Document No.)*	**Lot No.**	**Site Area** *(sq.m.)*
1.	Hua Guo Yong (93) Zi Di 11016292	21 Qu 1 Zong	33,486
2.	Hua Guo Yong (93) Zi Di 11016293	21 Qu 2 Zong	26,796
3.	Hua Guo Yong (97) Zi Di 11030357	121009	28,913
4.	Hua Guo Yong (97) Zi Di 11030358	121010	30,000
5.	Hua Guo Yong (2000) Zi Di 11034456	012017	33,330.57
6.	Hua Guo Yong (2004) Zi Di 720205	0121033	65,924.67
7.	Hua Guo Yong (2004) Zi Di 720206	0121032	396,799.7
	Total		**615,249.94**

12. According to a Construction Land Use Planning Permit (Document No.: 93210) dated 16 August 1993 issued by Guangzhou City Town Planning Bureau Huadu Branch (廣州市城市規劃局花都區分局) in favour of 廣州東鏡新城房地產開發有限公司, the permitted site area for construction of the property is approximately 306,823 sq.m..

13. According to a Construction Land Use Planning Permit (Document No.: 94217) dated 30 July 1994 issued by Huadu City Planning Bureau (花都市規劃局) in favour of Guangzhou Dongjing, the permitted site area for construction of the property is approximately 494,562.95 sq.m..

14. According to a document issued by Guangzhou City Town Planning Bureau (廣州市城市規劃局) (Document: Sui Gui Pi (2007) No. 273) dated 12 September 2007, the permitted total gross floor area of the whole development is 1,292,351 sq.m. (1,032,551 sq.m. based on plot ratio). The aforesaid document contains, inter-alia, the following conditions:

Site Area	Net Site Area	Plot Ratio	Maximum Site Coverage	Green Area Ratio	No. of Units	Total Gross Floor Area *(sq.m.)*
615,253.9 sq.m.	570,509 sq.m.	1.8% (based on net site area of 570,509 sq.m.)	14.65% (based on net site area of 570,509 sq.m.)	36% (based on net site area of 570,509 sq.m.)	10,667 units	1,292,351 sq.m. (1,032,551 sq.m. based on plot ratio)

15. According to the aforesaid document (Document: Sui Gui Pi (2007) No. 273), Phase 3 (now Phase 1) of the property comprises the commercial portion and wet market with gross floor area of approximately 20,680 sq.m. and 2,000 sq.m. respectively. As informed by the Company, the commercial portion and wet market of Phase 1 have not yet been obtained Construction Work Planning Permits.

16. According to the following documents issued by Guangzhou City Town Planning Bureau (廣州市城市規劃局) in favour of Guangzhou Dongjing, Phase 1 of the property is permitted to comprise the following development:

Document No.	Building	Approved Gross Floor Area
穗規函(2009)8632	Residential	21,334 sq.m. above ground
穗規函(2009)8634	Residential	21,215 sq.m. above ground
穗規函(2009)8636	Residential	25,202 sq.m. above ground
穗規函(2009)8637	Residential	23,889 sq.m. above ground
穗規函(2009)8639	Residential	26,258 sq.m. above ground
穗規函(2009)8640	Residential	21,441 sq.m. above ground
穗規函(2009)8642	Residential	23,041 sq.m. above ground
穗規函(2009)8643	Residential	18,965 sq.m. above ground
穗規函(2009)8644	Residential	10,154 sq.m. above ground
穗規函(2009)8645	Residential	9,318 sq.m. above ground
穗規函(2009)8646	Residential	8,808 sq.m. above ground
Sub-total		209,625 sq.m. above ground
穗規函(2009)8647	Kindergarten	4,350 sq.m. above ground
Sub-total		4,350 sq.m. above ground
穗規函(2009)8648	Community Service Centre	7,821.01 sq.m. above ground 16,067 sq.m. below ground
Sub-total		7,821.01 sq.m. above ground 16,067 sq.m. below ground
穗規函(2010)785	Carpark and Plant Room on Basement	60,005 sq.m. below ground
Sub-total		60,005 sq.m. below ground
Total		221,796.01 sq.m. above ground 76,072 sq.m. below ground

17. According to a Construction Commencement Permit (No. 440118201002080101) issued by Guangzhou Huadu Development Bureau dated 8 February 2010 in favor of Guangzhou Dongjing (廣州東鏡新城房地產有限公司), Phase 1 of the property is permitted to commence the construction work of 22 blocks of residential buildings, kindergarten and basement of residential with a construction scale of approximately 273,981 sq.m.

18. According to a Construction Commencement Permit (No. 440118201101040201) issued by Guangzhou Huadu Development Bureau dated 4 January 2011 in favor of Guangzhou Dongjing (廣州東鏡新城房地產開發有限公司), Phase 1 of the property is permitted to commence the construction work of a community service centre with a construction scale of approximately 23,888.01 sq.m.

19. Pursuant to a Guangzhou Commodity Property Pre-sale Permit issued by Guangzhou Land Resources and Building Management Bureau on 8 October 2012, Phase 1 of the property comprising 960 residential units with total gross floor area of approximately 120,069.18 sq.m. is permitted to pre-sale.

20. Pursuant to a Guangzhou Commodity Property Pre-sale Permit issued by Guangzhou Land Resources and Building Management Bureau on 28 March 2013, Phase 1 of the property comprising 544 residential units with total gross floor area of approximately 84,711.68 sq.m. is permitted to pre-sale.

21. As instructed by the Company, we have valued the whole development including the sold portion of the development in our valuation for the sold portion has not yet been handed over to individual owners. The sold portion of the development comprising 1,081 residential units of Phase 1 with total gross floor area of approximately 138,101 sq.m.

    For the 1,081 residential units that were sold at a total consideration of about RMB1,187,957,728.

22. According to the development proposal and information given, the estimated total construction costs (excluding land costs) for developing the property as at 30 June 2013 was in the sum of RMB3,521,185,670 and the construction costs incurred at the Date of Valuation was approximately RMB1,129,750,495. In the course of our valuation, we have taken into account the said construction costs.

23. Based on the total gross floor area that is allowable to be sold in the future, the Capital Value when Completed of the proposed development is approximately RMB8,107,000,000.

24. The levy and computation of Land Appreciation Tax of the subject property have not been taken account into our valuation.

25. Pursuant to a Mortgage Contract (Document No.: GDY477390120100017) dated 5 July 2010, a portion of the site (State-owned Land Use Right Certificates Document No. Hua Guo Yong (2000) Zi Di No. 11034456 and Hua Guo Yong (2004) Zi Di No. 720205) with total land area of 99,255.24 sq.m. is subject to a mortgage in favour of Bank of China Limited (Guangzhou Huadu Branch) to guarantee a maximum loan of RMB400,000,000 for a period between 1 March 2010 and 1 March 2015.

26. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]40號) dated 22 April 2013, a portion of the site (State-owned Land Use Right Certificate Document No. Huao Guo Yong (2004) Zi Di No. 720206) with a land area of 396,799.7 sq.m. is subject to a mortgage in favour of 中國長城資產管理公司廣州辦事處.

27. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]44號) dated 3 May 2013, a portion of the site (State-owned Land Use Right Certificate Document No. Hua Guo Yong (2004) Zi Di No. 720206 with a land area of 396,799.7 sq.m. is subject to a mortgage in favour of 中國長城資產管理公司廣州辦事處.

28. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]42號) dated 3 May 2013, a portion of the site (State-owned Land Use Right Certificate Document No. and Hua Guo Yong (93) Zi Di 11016292) with a land area of 33,486 sq.m. is subject to a mortgage in favour of 中國長城資產管理公司廣州辦事處.

29. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]43號) dated 22 April 2013, a portion of the property comprising various residential units with a total gross floor area of approximately 27,448.58 sq.m. is subject to a mortgage in favour of中國長城資產管理公司廣州辦事處.

30. Pursuant to a Mortgage Contract (Document No.: 中長資(穗)合字[2013]41號) dated 3 May 2013, a portion of the property comprising various residential units with a total gross floor area of approximately 23,559.55 sq.m. is subject to a mortgage in favour of中國長城資產管理公司廣州辦事處.

31. Pursuant to a Mortgage Contract (Document No.: GDY477390120130007) dated 12 March 2013, various residential units are subject to a mortgage in favour of Bank of China Limited (Guangzhou Huadu Branch) to guarantee a maximum loan of RMB100,000,000 for a period expiring on 1 March 2015.

32. In the course of our valuation, we have made the following assumptions:

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

- We have valued such property interest on the basis that it will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that all necessary approvals for the proposals have been obtained;

- The design and construction of the future development to be erected over the subject land is in compliance with the land planning regulations and have been approved by the relevant authorities;

- In the course of our valuation, we have not conducted any land surveying to verify the correctness of the site boundaries. We have valued the Property in its existing state and according to the boundary information given to us by the Instructing Party;

- Should there exists any change in site area or other important development parameters such as the plot ratio, site coverage, building height restriction etc., we would like to reserve our rights for amending our valuation;

- The property is free from any mortgage, legal charges, order and other encumbrances which may cause adversely effect on the titleship of the property; and

- the land premium and other costs of ancillary utility services for the subject Property has been fully paid and there will be no need to pay any resettlement and ancillary utilities costs in relation to this project.

33. The PRC legal opinion states, inter alia, the following

(i) The ownership of the land use rights is legally vested in Guangzhou Dongjing.

(ii) Guangzhou Dongjing is legally entitled to build commercial and residential buildings on the property and mortgage the land use rights. After completion of the buildings, Guangzhou Dongjing is legally entitled to sell and mortgage the buildings.

(iii) The land use rights of lands with land use rights certificate No. 花國用(2004)字第720206號, 花國用(93)字第11016292號, 花國用(2000)字第11034456號, 花國用(2004)字第720205號 and various residential units are subject to mortgage.

(iv) The land premium has been fully settled.

(v) Guangzhou Dongjing has obtained approval issued by the relevant government authorities for construction of residential, clubhouse and kindergarten of Phase 1 of the property, whilst has not yet been obtained approval for construction of commercial and wet market of Phase 1 of the property. The PRC legal opinion has foreseen there is no substantial penalty nor legal consequences for Guangzhou Dongjing for the construction work of commercial portion of Phase 1 performed without the obtain of the Construction Work Planning Permits. The PRC legal opinion has also foreseen there is no legal impediment to obtain Construction Work Planning Permit and Construction Commencement Permit of commercial portion of Phase 1. According to Guangzhou Dongjing, the permits for construction of commercial portion of Phase 1 will be obtained in 2013.

(vi) A Pre-sale Permit of 1,504 residential units with total gross floor area of 204,780.86 sq.m. has been obtained.

(vii) Guangzhou Dongjing has pre-sale 1,081 residential units as at 30 June 2013. The aforesaid 1,081 residential units are under construction and have not yet been hand over to individual owners. Therefore, the ownership of the aforesaid 1,081 residential units is legally vested in Guangzhou Dongjing as at 30 June 2013. The sales and purchase agreements of the aforesaid 1,081 residential units have been registered with the appropriate government authorities and registration of ownership of pre-sale commodity property of the aforesaid 1,081 residential units have been completed. Guangzhou Dongjing will apply for permit of hand over to individual owners from relevant government authorities upon completion of the buildings. These buildings are planned to be completed in about fourth quarter of 2013. The aforesaid 1,081 residential units are not subject to any mortgage.

(viii) The PRC legal opinion found that Guangzhou Dongjing did not follow the land use conditions contained in the 5 Land Use Rights Grant Contracts. However, in view of the Construction Commencement Permit and Pre-sale Permit of a portion of Phase 1 have been obtained and Guangzhou Dongjing does not receive any notice or penalty from Guangzhou Huadu Land Resources and Building Management Bureau or any relevant government authorities. The PRC lawyer, in the opinion that Guangzhou Dongjing did not follow the land use conditions contained in the Land Use Rights Grant Contracts should not affect Guangzhou Dongjing's legal right to use the land.

34. The property is situated in Huadu District of Guangzhou. Huadu District is located in the northern suburban area of Guangzhou. The residential sector in Guangzhou registered a growth in transaction volume between end of February and beginning of March 2013, as the announcement of the further regulations with five new measures to cool the residential market on 1 March 2013. Many buyers feared that new regulations, especially the 20% capital gains tax, might drive up their purchasing costs, and therefore brought forward home purchases before the new policies took effect. In respect of the general property market condition, both supply and demand of residential sector are mainly come from suburban area such as Huadu District, estimated to be over 200,000 sq.m. supply and amount to over 300,000 sq.m. transaction volume in January and February 2013. According to the 70 large-and-medium-size cites' price index of newly developed residential units published by the National Bureau of Statistics of China in April 2013, it has reported that a rising trend of the general price level for Guangzhou's newly developed residential units, the sales price increased steadily, about 8% between beginning of 2013 and April 2013. In the first quarter of 2013, the general price level of newly developed residential units in Huadu District was about RMB8,000 — RMB10,000/sq.m.

35. The property was inspected by Ms. Kathy Xu, Senior Manager, China Real Estate Appraiser (CREA), MRICS on 21 June 2013.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

The Company

Long position in Shares in issue

	Number of shares of HK$0.01 each				
Name of Directors	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Mr. Yu Pun Hoi (“Mr. Yu”)	—	34,945,726,203 *(Note 1)*	69,326,400 *(Note 2)*	35,015,052,603	51.01%
Chen Dan	32,000,000	—	—	32,000,000	0.05%
Wang Gang	8,500,000	—	—	8,500,000	0.01%

Notes:

1. Out of these 34,945,726,203 shares, 31,203,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies indirectly wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.

2. These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at the Latest Practicable Date, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

	Number of Shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Mr. Yu	—	12,515,795,316 *(Note 1)*	44,000,000 *(Note 2)*	12,559,795,316	63.07%

Notes:

1. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.

2. These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors and chief executive were taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, other than a director or chief executive of the Company, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

The Company

Name of person holding an interest in Shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of Shares in issue subject to long position	Approximate percentage of issued share capital of the Company	*Note*
Kung Ai Ming	Family and Corporate interest	35,015,052,603	51.01%	1
Dadi Holdings Limited	Corporate interest	34,945,726,203	50.90%	4
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	4
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	4
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	4
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2 & 4
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	4
CITIC Group Corporation	Corporate interest	18,735,691,472	27.29%	2 & 3
CITIC Limited	Corporate interest	10,100,000,000	14.71%	3
CITIC Capital Holdings Limited	Corporate interest	10,100,000,000	14.71%	3
CITIC Capital Credit Limited	Security interest	10,100,000,000	14.71%	3
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	5
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	5
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.

2. CITIC Group Corporation was indirectly interested in 8,635,691,472 shares, of which interests are held by its wholly-owned subsidiary, Staverley, and its 40% owned company, Macro Resources Ltd..

3. CITIC Group Corporation, CITIC Limited and CITIC Capital Holdings Limited were each taken to be interested in those security interests of 10,100,000,000 shares in which CITIC Capital Credit Limited held an interest.

4. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies indirectly wholly owned by Mr. Yu through Dadi Holdings Limited, a company wholly owned by Mr. Yu, and Macro Resources Ltd. is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Ltd. was included as the interest of Righteous International Limited.

5. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Subsidiaries

Name of shareholder (other than a member of the Group) who is interested in 10% or more of the subsidiary of the Company	Name of the company in which interests or short positions were held	Number of shares or extent of interest directly held in the subsidiary of the Company	Approximate percentage of issued registered share capital or registered capital of the subsidiary of the Company
西部電影集團有限公司 (Western Movie Group Co., Ltd.)*	陝西西影大地影院建設有限公司 (Shaanxi Xi Ying Dadi Cinema Construction Limited)*	RMB9,000,000	30%
Baitak	Listar	6,000,000 Class B Shares	30%
The Purchaser	Listar	5,400,000 Class A Shares (L)	27%

* *English transliteration of the Chinese company's name*

(L) *denotes long position in the Shares*

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, other than a director or chief executive of the Company, no persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

3. SERVICE CONTRACT

None of the Directors had entered into any service and proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) as at the Latest Practicable Date.

4. COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors nor their respective Associates had any interests in any business which competed or might compete with the business of the Group or have or may have any other conflict of interest with the Group pursuant to Rule 8.10 of the Listing Rules as at the Latest Practicable Date.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 December 2012 the date to which the latest published audited consolidated accounts of the Company were made up, acquired or dispose of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2012 being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2012 being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2012 being the date to which the latest audited consolidated accounts of the Company have been made up).

6. LITIGATION

(a) In respect of the purported sale of the 74,889,892 shares of Acesite (Philippines) Hotel Corporation Inc. (“Acesite Phils.”) (“Philippines Shares”), which were mortgaged by Acesite Limited (“Acesite”), by a Filipino bank namely Banco de

Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"), to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of Sino-i; Evallon Investment Limited, a wholly-owned subsidiary of Sino-i; Mr. Yu, the chairman and executive director of both the Company and Sino-i and, South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against EPCIB and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006 ("1st Case"). In May 2007, Acesite Phils. filed a claim against Mr. Yu; Mr. Lam Bing Kwan, a non-executive director of both the Company and Sino-i; Sino-i; and Acesite for damages; further or other relief; interest and costs and etc. under High Court Number of HCA498 of 2007 ("2nd Case"). The defendants in both cases have filed their defences respectively to the Court. Acesite Phils. filed a consent order dated 16 August 2011 to the High Court for dismissal of the 2nd Case. The 1st Case is still in progress and no date has been fixed for trial.

(b) Dadi Media Limited ("Dadi Media"), a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited, a subsidiary of Sino-i, for the sum of HK$27,750,498 together with interest thereon and costs in May 2004 under the High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against China Enterprise ASP Limited ("CE ASP"), a wholly-owned subsidiary of Dadi Media, under High Court Number HCA2892 of 2004 for (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

(c) In May 2007, 深圳益田房地產集團股份有限公司 (Shenzhen Yitian Real Estate Group Company Limited) ("Yitian") issued a pleading (2007) 深中法民五初字第142號 (the "Case 1") to 深圳市金益田實業發展有限公司 (Shenzhen City Jingyitian Industrial Development Company Limited) ("Jingyitian"), a wholly-owned subsidiary of the Company, requesting for the court's judgement including (i) nullity of a letter of undertaking entered into between Yitian and Jingyitian; and (ii) refund of HK$41 million together with interest to Jingyitian. Yitian subsequently filed a written application to the Intermediate People's Court of Shenzhen City ("Intermediate People's Court") in March 2012 for dismissal of the Case 1, and the Intermediate People's Court subsequently granted its leave to Yitian that the Case 1 be dismissed and Yitian shall bear the cost of RMB123,400 on 13 March 2012.

In January 2009, LWD, LWI and 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian") received another pleading (2008) 粵高法民初四字第1號(the "Case 2") from Yitian. Yitian alleged that it was rejected to participate to the development of the second phase of "The Peninsula" subsequent to the completion of cooperation in development of the first phase, and claimed for damages of RMB396,356,182 resulting from the alleged breach of a cooperation agreement. LWD and LWI directly and indirectly hold 100% of Nanhai Yitian, and LWD and LWI are the wholly-owned subsidiaries of the Company. LWD, LWI and Nanhai Yitian have subsequently filed their defences to the court. In early February 2010, LWD, LWI and Nanhai Yitian received summons from High People's Court of Guangdong Province ("High People's Court") for cross examination of evidences between the plaintiff and defendants on 26 February 2010, and received another summons for trial on 10 March 2010.

On 17 April 2012, the High People's Court issued its judgement on the Case 2 in favour of the defendants, i.e. LWD, LWI and Nanhai Yitian, subsidiaries of the Company. As per the judgement, the pleadings of the plaintiff i.e. Yitian were all turned down and dismissed by the High People's Court, and Yitian has to bear the costs of approximately RMB2,024,000. Yitian then filed its appeal to the Supreme People's Court on 29 May 2012, and the defendants filed their defences on 25 June 2012.

On 20 November 2012, the Supreme People's Court dismissed the plaintiff's appeal as the plaintiff failed to prepay the security for cost of approximately RMB2,024,000, and the Supreme People's Court ruled that the judgement laid down by the High People's Court becoming enforceable immediately.

As advised by the Group's legal advisors, the judgement laid down by the Supreme People's Court shall be final, and the plaintiff shall not use the same pleadings against the defendants.

The Group, after discussion with legal advisors, considered that it would not incur a material outflow of resources as a result of the above matters.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2012, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the Latest Practicable Date:

(a) the LWD MTQ Transaction Documents;

(b) the Baitak December Transaction Documents; and

(c) the Sale and Purchase Agreement

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Odysseus Capital Asia Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Vigers Appraisal and Consulting Limited	an independent professional valuer

Each of BDO Limited, the Independent Financial Adviser and Vigers Appraisal and Consulting Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter or reports and the references to its name in the form and context in which they respectively appear.

None of the above experts had any interests in any Shares or shares in any member of the Group, or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, none of BDO Limited, the Independent Financial Adviser and Vigers Appraisal and Consulting Limited had any direct or indirect interests in any assets which have since 31 December 2012 (being the date to which the latest audited consolidated accounts of the Company have been made up) been acquired or disposed of by or leased to or by any member of the Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Group.

9. MISCELLANEOUS

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business in Hong Kong is at 26/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

(b) The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Watt Ka Po James who is a fellow member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(d) The English text of this circular and the accompanying form of proxy shall prevail over their Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong, at 26/F., Sin On Centre, 188 Lockhart Road, Wanchai, Hong Kong, during normal business hours, from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(c) the Shareholders' Agreement;

(d) the Deed of Covenants;

(e) the Security Documents;

(f) the letter from the Independent Board Committee as set out on pages 41 to 42 of this circular;

(g) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 43 to 61 of this circular;

(h) the report on review of the financial information of Listar Group from BDO Limited as set out in Appendix I of this circular;

(i) the accountants' report on unaudited pro forma financial information of the Remaining Group from BDO Limited as set out in Appendix II of this circular;

(j) the valuation report on the Project prepared by Vigers Appraisal and Consulting Limited as set out in Appendix IV(A) and Appendix IV(B) of this circular;

(k) the written consents referred to in the paragraph headed "Qualifications and consent of experts" in this appendix;

(l) the annual reports of the Company for the two years ended 31 December 2011 and 2012;

(m) the interim report of the Company for the six months ended 30 June 2013; and

(n) this circular.

南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of Nan Hai Corporation Limited (the "**Company**") will be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 15 October 2013 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

Ordinary Resolutions

1. "**THAT**:

(i) the sale and purchase agreement (the "**SP Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) dated 28 June 2013 entered into between Nan Hai Development Limited (the "**Vendor**"), a wholly-owned subsidiary of the Company, the Company (the "**Guarantor**") and CITIC Real Estate (Hong Kong) Development Limited (the "**Purchaser**") in relation to the sale and purchase of 27% issued share capital of Listar Properties Limited ("**Listar**") and 27% of the aggregate amount of the shareholders' loan due and owing by Listar to its shareholders as at the date of completion of the SP Agreement at the aggregate consideration of RMB607,000,000 be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the SP Agreement (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder."

* *For identification purpose only*

2. "**THAT**:

(i) the transactions contemplated under the following documents (collectively, the "**Transaction Documents**") to be entered into on the date of completion (the "**Completion**") set out in the SP Agreement be and are hereby approved:

(a) the shareholders' agreement (the "**Shareholders' Agreement**") to be entered into between the Vendor, the Purchaser, Baitak Asian Shenzhen Peninsula Co., Ltd. ("**Baitak**") and Listar in respect of listing out their respective rights and obligations in Listar after Completion (a copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification);

(b) the deed of covenants (the "**Deed of Covenants**") to be entered into between the Vendor, the Purchaser, Baitak, the Company and Listar in respect of listing out certain specific entitlements of the Vendor, the Purchaser and Baitak in Listar after Completion (a copy of which has been produced to the meeting marked "C" and signed by the chairman of the meeting for the purpose of identification);

(c) the account charge to be entered into between the Vendor and the Purchaser in relation to the charge on the Vendor's certain bank account(s) to secure all present and future indebtedness, obligations and liabilities (whether actual or contingent and whether owed on a joint and several basis), which are or may be or may become due or owing to the Purchaser by the Vendor, the Company, Baitak, Listar or Honest Link Development Limited ("**HLDL**"), a subsidiary of Listar, under or pursuant to the SP Agreement or any other Transaction Documents (the "**Secured Obligations**") (a copy of which has been produced to the meeting marked "D" and signed by the chairman of the meeting for the purpose of identification);

(d) the account charge to be entered into between HLDL and the Purchaser in relation to the charge on the HLDL's certain bank account(s) to secure the Secured Obligations (a copy of which has been produced to the meeting marked "E" and signed by the chairman of the meeting for the purpose of identification);

(e) the share mortgage to be entered into between the Vendor, Listar and the Purchaser in relation to the mortgage of 20.4% of the entire issued share capital of Listar (from the Vendor's shareholding in Listar) to secure the Secured Obligations (a copy of which has been produced to the meeting marked "F" and signed by the chairman of the meeting for the purpose of identification);

(f) the share mortgage to be entered into between Listar, HLDL and the Purchaser in relation to the mortgage of 47.4% of the entire issued share capital of HLDL to secure the Secured Obligations (a copy of which has been produced to the meeting marked "G" and signed by the chairman of the meeting for the purpose of identification);

(g) the security assignment to be entered into between the Vendor and the Purchaser in relation to 47.4% of the shareholder's loan due and owing to the Vendor by Listar to secure the Secured Obligations (a copy of which has been produced to the meeting marked "H" and signed by the chairman of the meeting for the purpose of identification);

(h) the security assignment to be entered into between Listar and the Purchaser in relation to 47.4% of the shareholder loan due and owing to Listar by HLDL to secure the Secured Obligations (a copy of which has been produced to the meeting marked "I" and signed by the chairman of the meeting for the purpose of identification);

(i) the security assignment to be entered into between HLDL and the Purchaser in relation to 47.4% of the shareholder loan due and owing to HLDL by 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.) to secure the Secured Obligations (a copy of which has been produced to the meeting marked "J" and signed by the chairman of the meeting for the purpose of identification); and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Transaction Documents (including but not limited to entering into any supplemental or variation agreement thereto) and the transactions contemplated thereunder."

By order of the Board
Nan Hai Corporation Limited
Watt Ka Po James
Company Secretary

Hong Kong, 24 September 2013

Notes:

1. A shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf in accordance with the bye-laws of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

3. Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM or any adjournment thereof if he/she so desires. If a shareholder of the Company attends the SGM after having deposited the form of proxy, his/her form of proxy will be deemed to have been revoked.

5. As at the date of this notice, the directors of the Company are:

Executive directors:	*Non-executive directors:*	*Independent non-executive directors:*
Mr. Yu Pun Hoi	Mr. Wang Gang	Prof. Jiang Ping
Ms. Chen Dan	Mr. Lam Bing Kwan	Mr. Lau Yip Leung
Ms. Liu Rong		