THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, 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 China Uptown Group Company Limited (the "**Company**"), you should at once hand this circular and the accompanying 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.

中國上城

CHINA UPTOWN

China Uptown Group Company Limited

中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

MAJOR TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Fountains Room 1, LG/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 4 June 2014 at 11:30 a.m. is set out on pages 108 to 109 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed herewith.

Whether or not you are able to attend the extraordinary general meeting of the Company in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's head office and principal place of business in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

19 May 2014

CONTENTS

In this circular, unless the context otherwise require, the following expressions shall have the following meanings when used herein:

"Acquisition"	the acquisition of the 99.98% of Target Equity Interest and the Target Shareholder's Loan from the Vendor and the 0.02% of Target Equity Interest from Mr. Hu by Uni-Business and/or its nominee pursuant to the terms and conditions of the Sale and Purchase Agreement
"associate(s)"	has the meanings as ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday or a day on which a tropical cyclone warning no.8 or above is hoisted or a black rainstorm warning signal is given in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in the PRC and Hong Kong are open for general banking business throughout their normal business hours
"Company"	China Uptown Group Company Limited, a company incorporated in the Cayman Islands, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
"Completion Accounts"	the unaudited management accounts of Shenzhen LSH Group prepared in accordance with the HKFRSs for the period commencing from 1 January 2014 and ending on the Completion Date
"Completion Date"	the date on which Completion will take place in accordance with the Sale and Purchase Agreement, being the fifth Business Day (or such other time and/or date as the parties hereto may agree in writing) immediately following the date that all the Conditions have been satisfied or waived, as the case may be

"Conditions"	the conditions precedent of the Completion, details of which are set out in the paragraph headed "Conditions precedent" of this circular
"Conditions Fulfillment Date"	31 August 2014 or such later date as the parties to the Sale and Purchase Agreement may agree in writing
"connected person(s)"	has the meanings as ascribed thereto under the Listing Rules, and "connected" shall be construed accordingly
"Consideration"	the total consideration payable for the Acquisition of RMB300 million (equivalent to approximately HK$381.0 million), among which RMB31 million (equivalent to approximately HK$39.4 million) being the consideration for the acquisition of the Target Equity Interest by Uni-Business and RMB269 million (equivalent to approximately HK$341.6 million) being the consideration for the assignment of the Target Shareholder's Loan to Uni-Business
"Deposit"	the amount of RMB140 million (equivalent to approximately HK$177.8 million) having already been paid by the Group to the Vendor pursuant to the LOI which will be applied to offset the Consideration on Completion Date
"Director(s)"	the director(s) of the Company
"Disposal Circular"	the circular dated 31 May 2013 of the Company in relation to the disposal of the sale shares of Boom Lotus Holdings Limited and the sale loan amounting to RMB70,857,000 by Lead Prospect Investment Holdings Limited, the vendor, to Ace Goal Holdings Limited, the purchaser
"EGM"	the extraordinary general meeting of the Company to be held at 11:30 a.m. on Wednesday, 4 June 2014 at Fountains Room 1, LG/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries from time to time

"Guarantor"	Zhanjiang Huada Trading Co., Limited* (湛江市華大貿易有限公司), a limited liability company established in the PRC in which the Vendor and an Independent Third Party currently hold 40% and 60% equity interests respectively
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administration Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries is/are third party(ies) independent of and not connected with the Company, its subsidiaries and its connected persons in accordance with the Listing Rules
"Land"	a piece of land in Maoming, Guangdong Province, the PRC with a total area of approximately 93,000 square meters
"Latest Practicable Date"	16 May 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LOI"	the non-legally binding letter of intent dated 27 August 2013 entered into among, inter alia, the Company, the Vendor and the Guarantor
"Maoming Huada"	Maoming Huada Real Estate Development Company Ltd.* (茂名市華大房地產開發有限公司), a limited liability company established in the PRC in which Shenzhen LSH and an Independent Third Party currently hold 90% and 10% equity interests respectively

"Mr. Hu"	Mr. Hu Jing* (胡經), a businessman and a citizen in the PRC who holds 0.02% of the Target Equity Interest. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Hu is a third party independent to the Company and its connected persons
"PRC"	The People's Republic of China, and for the purpose of this circular, excluding Taiwan, Hong Kong and Macau Special Administrative Region
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 25 February 2014, including its amendments or replacement, entered into among Uni-Business, the Vendor and the Guarantor in relation to the Acquisition
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	person(s) whose name(s) appear in the register of members of the Company as the holder(s) of the Share(s)
"Shenzhen LSH"	Shenzhen Longshenghang Supply Chain Limited* (深圳市隆盛行供應鏈有限公司), a limited liability company established in the PRC in which the Vendor and Mr. Hu currently hold 99.98% and 0.02% equity interests respectively
"Shenzhen LSH Group"	Shenzhen LSH and its subsidiary, namely Maoming Huada
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental LOI"	the non-legally binding supplemental letter of intent dated 30 December 2013 entered into among, inter alia, the Company, the Vendor and the Guarantor
"Target Equity Interest"	the entire equity interest of Shenzhen LSH

"Target Shareholder's Loan"	the shareholder's loan, which amounted to approximately RMB280 million (equivalent to approximately HK$355.6 million) as at the date of the Sale and Purchase Agreement, due by Shenzhen LSH to the Vendor
"Uni-Business"	Uni-Business Limited, a limited liability company incorporated in Hong Kong and a directly wholly-owned subsidiary of the Company
"Vendor"	Mr. Huang Shibao* (黃石保), a businessman and a citizen in the PRC who holds 99.98% of the Target Equity Interest and the Target Shareholder's Loan
"%"	per cent.

In this circular, unless otherwise specified, conversion of RMB into HK$ is, based on the exchange rate of RMB1 to HK$1.27, for illustration purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

* *for identification purpose only*

China Uptown Group Company Limited
中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2330)

Executive Directors:
Mr. Liu Feng *(Chairman)*
Mr. Chen Xian *(Vice Chairman)*
Mr. Lau Sai Chung *(Chief Executive Officer)*
Ms. Xia Dan

Independent non-executive Directors:
Mr. Poon Lai Yin, Michael
Mr. Ng Kwok Chu, Winfield
Mr. Chan Chun Fai

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Suite 1501, 15th Floor
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

19 May 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcement of the Company dated 25 February 2014 in relation to the Sale and Purchase Agreement and Acquisition. On 25 February 2014 (after trading hours of the Stock Exchange), Uni-Business, a directly wholly-owned subsidiary of the Company, the Vendor and the Guarantor entered into the Sale and Purchase Agreement, pursuant to which Uni-Business has conditionally agreed to acquire (and/or procure its nominee to acquire) the Target Equity Interest and the Target Shareholder's Loan; and the Vendor has conditionally agreed to (i) sell 99.98% of the Target Equity Interest and the Target Shareholder's Loan; and (ii) procure Mr. Hu to sell 0.02% of the Target Equity Interest, for the Consideration. The Target Equity Interest refers to the entire equity interest in Shenzhen LSH, which in turn holds 90% equity interest in Maoming Huada.

The Sale and Purchase Agreement replaced any preceding agreements, arrangements, statements, understandings or transactions entered into prior to the Sale and Purchase Agreement in relation to the Acquisition and possible acquisition of 90% equity interest in, and the shareholder's loan due by, Maoming Huada, including but not limited to the LOI and the Supplemental LOI.

As two of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition, are greater than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and shareholders' approval requirements.

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement and the Acquisition; (ii) the accountants' reports on Shenzhen LSH Group and Maoming Huada; (iii) the property valuation report on the Land; and (iv) the notice of EGM.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date: 25 February 2014

Parties: Uni-Business, as the purchaser;

Mr. Huang Shibao, as the vendor; and

Zhanjiang Huada Trading Co., Limited, as the guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Guarantor (and its beneficial owners) are third parties independent to the Company and its connected persons.

Assets to be acquired

The Target Equity Interest, being the entire equity interest of Shenzhen LSH of RMB30 million (equivalent to approximately HK$38.1 million), of which the Vendor and Mr. Hu are the registered equity holders legally owned 99.98% and 0.02% equity interests in Shenzhen LSH respectively. Shenzhen LSH is an investment holding company established in the PRC. As at the Latest Practicable Date, Shenzhen LSH directly holds an aggregate of 90% equity interest in Maoming Huada, which is the sole legal and beneficial owner of the Land, being the major asset of Shenzhen LSH Group.

The Target Shareholder's Loan, which amounted to approximately RMB280 million (equivalent to approximately HK$355.6 million) as at the date of the Sale and Purchase Agreement, due by Shenzhen LSH to the Vendor.

Upon Completion, Shenzhen LSH will become an indirectly wholly-owned subsidiary of the Company and Maoming Huada will become an indirectly non-wholly owned subsidiary of the Company. In addition, all outstanding amount of the Target Shareholder's Loan will be due by Shenzhen LSH to Uni-Business.

Consideration

The Consideration of RMB300 million (equivalent to approximately HK$381.0 million) shall be payable by Uni-Business to the Vendor (in his own capacity and on behalf of Mr. Hu) as to RMB31 million (equivalent to approximately HK$39.4 million) being the consideration for the acquisition of the Target Equity Interest by Uni-Business and as to RMB269 million (equivalent to approximately HK$341.6 million) being the consideration for the assignment of the Target Shareholder's Loan to Uni-Business. Upon payment of the Consideration to the Vendor, the Vendor and Mr. Hu shall make their own arrangement to allocate the Consideration and Uni-Business shall neither have the obligation to deal with nor confirm such arrangement. The Consideration shall be satisfied in RMB by Uni-Business to the Vendor by way of cash as follows:

(i) the Deposit in the amount of RMB140 million (equivalent to approximately HK$177.8 million), which has been paid by the Group on behalf of Uni-Business within 15 Business Days after the date of LOI pursuant to the LOI, will be applied by Uni-Business to offset against part of the Consideration;

(ii) the amount of RMB50 million (equivalent to approximately HK$63.5 million) (the **"Retention Fund"**) will be retained by Uni-Business on Completion Date. If there is any claims raised by Uni-Business and/or any third parties against Shenzhen LSH Group, except those liabilities already disclosed in the management accounts of Shenzhen LSH Group as at 31 January 2014, within the first year immediately after Completion Date, Uni-Business shall be entitled to deduct the amounts being claimed and relevant costs of such claims from the Retention Fund. The balance of the Retention Fund, if any, will then be released to the Vendor on the date of the first anniversary of Completion Date (without interest); and

(iii) the remaining amount of approximately RMB110 million (equivalent to approximately HK$139.7 million), subject to the satisfactory fulfillment of Conditions (save as to those having been waived by Uni-Business in writing, where applicable), will be payable by Uni-Business to the Vendor on Completion Date.

It is expected that the Consideration (excluding the Deposit which has already been paid) will be financed by the internal resources of the Group.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with references to (i) the unaudited net liability value of Shenzhen LSH Group attributable to the Vendor of approximately RMB196 million (equivalent to approximately HK$249.0 million) as at 31 December 2013; (ii) the valuation surplus of the Land attributable to the Vendor of approximately RMB314.5 million (equivalent to approximately HK$399.4 million) as at 31 December 2013; and (iii) the Target Shareholder's Loan of approximately RMB280 million (equivalent to approximately HK$355.6 million) owed by Shenzhen LSH to the Vendor as at the date of the Sale and Purchase Agreement.

The valuation surplus of the Land attributable to the Vendor of approximately RMB314.5 million (equivalent to approximately HK$399.4 million) was calculated based on (a) the preliminary valuation of the Land of RMB814 million (equivalent to approximately HK$1,033.8 million) as at 31 December 2013 valued by Vigers Appraisal and Consulting Limited (**"Vigers"**), a registered and qualified independent valuer in Hong Kong, adopting the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and taking into account the expended construction costs and the costs that will be expended to complete the development; (b) the unaudited book value of the Land of approximately RMB465 million (equivalent to approximately HK$590.0 million) as at 31 December 2013; and (c) 90% equity interest in Maoming Huada ultimately owned by the Vendor.

Conditions precedent

Completion of the Acquisition is subject to the satisfactory fulfillment and/or waiver by Uni-Business, where applicable, of the following Conditions on or prior to the Conditions Fulfillment Date:

(i) the completion of and satisfaction with the results of the due diligence review (including but not limited to the review on the liabilities of Shenzhen LSH Group) on Shenzhen LSH Group by Uni-Business;

(ii) Uni-Business shall have received (and be satisfied with) the documents relating to the transfer of 99.98% of the Target Equity Interest by the Vendor to Uni-Business and/or its nominee and registered the said documents (and be satisfied by Uni-Business and the PRC legal adviser of Uni-Business) with the relevant Administration of Industry and Commerce* (工商行政管理局);

(iii) Uni-Business shall have been satisfied that the Vendor has procured Mr. Hu to transfer 0.02% of the Target Equity Interest to Uni-Business and/or its nominee according to the applicable law; Uni-Business shall have received (and be satisfied with) the documents relating to the transfer of 0.02% of the Target Equity Interest and registered the said documents (and be satisfied by Uni-Business and the PRC legal adviser of Uni-Business) with the relevant Administration of Industry and Commerce* (工商行政管理局);

(iv) the acquisition of the Target Equity Interest and the assignment of the Target Shareholder's Loan shall be completed simultaneously;

(v) the approval by the Shareholders at the EGM (if applicable) with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder;

(vi) the Vendor shall be the legal and ultimate beneficial owner of the 99.98% of the Target Equity Interest and the Target Shareholder's Loan; Mr. Hu shall be the legal owner of the 0.02% of the Target Equity Interest; and the Target Equity Interest and the Target Shareholder's Loan shall not be subject to any encumbrances or third party's rights;

(vii) Uni-Business shall have received (and be satisfied with) the documents proving Maoming Huada has been granted and obtained the land use certificates* (土地使用證) in respect of the Land;

(viii) the obtaining of all necessary authorisations and approvals for all agreements and transactions contemplated under the Sale and Purchase Agreement by the Vendor, the Guarantor and Shenzhen LSH, including but not limited to the approvals from their respective boards of directors and shareholders;

(ix) Uni-Business shall have received (and be satisfied with) the documents (including but not limited to the business license* (營業執照)) proving that the respective directors, shareholders, legal representatives and addresses of Shenzhen LSH and Maoming Huada have been duly changed according to the applicable laws and Uni-Business's intentions and registered the said documents (and be satisfied by Uni-Business and the PRC legal adviser of Uni-Business) with the relevant Administration of Industry and Commerce* (工商行政管理局);

(x) Uni-Business shall have received (and be satisfied with) the documents proving that the articles of associations of Shenzhen LSH and Maoming Huada have been duly changed according to the applicable laws and Uni-Business's intentions and registered the said documents (and be satisfied by Uni-Business and the PRC legal adviser of Uni-Business) with the relevant Administration of Industry and Commerce* (工商行政管理局);

(xi) the management of Shenzhen LSH Group shall have no material change and shall not have done any act which may have negative impact on the businesses, assets, properties, financial conditions, operations and future prospects of the Shenzhen LSH Group on or prior to Completion; and all warranties shall be accurate and true in all respects as at the Completion Date;

(xii) Uni-Business shall have received (and be satisfied with) the documents proving that all employment contracts of Shenzhen LSH Group with its employees as designated by Uni-Business have been terminated and all relevant severance payments have been made;

(xiii) Uni-Business shall have received (and be satisfied with the content of) the deed of guarantee duly executed by the Guarantor;

(xiv) Uni-Business shall have received the draft of the Completion Accounts;

(xv) Uni-Business shall have received (and be satisfied with) the documents proving that details of all bank accounts of Shenzhen LSH Group having been changed according to the Uni-Business's requests;

(xvi) Uni-Business shall have received (and be satisfied with) the documents proving that all insurance policies of Shenzhen LSH Group having been changed to Uni-Business and/or its nominee as the beneficiary (if applicable); and

(xvii) Uni-Business shall have received (and be satisfied with) the documents for Completion as set out in the appendix of the Sale and Purchase Agreement.

Save for Conditions (i) to (xv), Uni-Business shall have the right to waive any of the Conditions at its discretion. If any of the Conditions have not been fulfilled or waived (as the case may be) by the Conditions Fulfillment Date or such later date as the parties to the Sale and Purchase Agreement may agree in writing, the Sale and Purchase Agreement shall lapse and have no further effect. The Vendor shall refund all amounts previously received from Uni-Business (including but not limited to the Deposit) without interest to Uni-Business immediately. Upon the due receipt of the above payment by Uni-Business and save for any antecedent breach of the Sale and Purchase Agreement, none of the parties shall make any claims against any other parties pursuant to the terms and conditions of the Sale and Purchase Agreement.

As at the Latest Practicable Date, only Conditions (vi) and (vii) have been fulfilled.

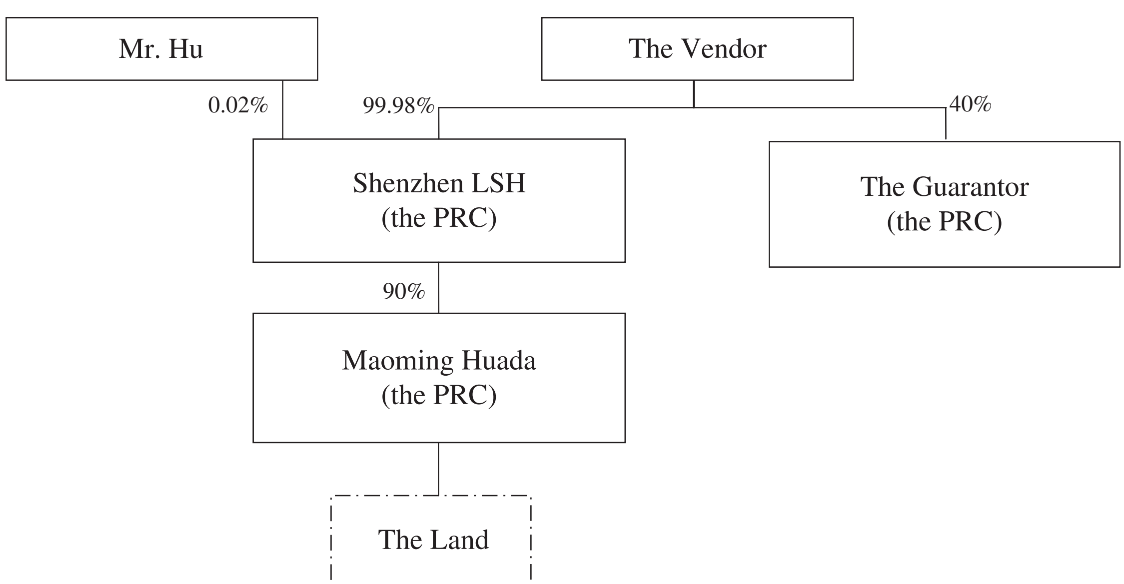
Completion

Completion shall take place on the fifth Business Day immediately following the date that all Conditions have been satisfied and/or waived (as the case may be) but not be later than the Conditions Fulfillment Date or such later date as the parties may agree in writing.

INFORMATION ON SHENZHEN LSH GROUP AND THE LAND

Shenzhen LSH Group

The following chart illustrates the shareholding and corporate structure of Shenzhen LSH Group as at the Latest Practicable Date:



Shenzhen LSH is an investment holding company established in the PRC. As at the Latest Practicable Date, the Vendor and Mr. Hu respectively hold 99.98% and 0.02% equity interests in Shenzhen LSH. As at the latest Practicable Date, Shenzhen LSH is not engaged in any business except for the only investment of 90% equity interest in Maoming Huada.

Maoming Huada is a company established in the PRC and is currently directly owned as to 90% by Shenzhen LSH and as to 10% by an Independent Third Party. Maoming Huada is principally engaged in property development and management and has been granted and owns the land use certificates* (土地使用證) of the Land, a piece of land in Maoming, Guangdong Province, the PRC with a total area of approximately 93,000 square meters. The Land is under development now and will be developed into a mix residential and commercial complex (the **"Project"**). As at the date the Latest Practicable Date, as advised by the Vendor, Maoming Huada does not interest in or own any investment, land and property other than the Land and the relevant constructions on the Land. The valuation report on the Land prepared by Vigers is set out in Appendix V to this circular.

Information of the Project

The only major asset of Maoming Huada is the Land which is situated in the prime urban area in Maoming City, the PRC. It is under development now and will be developed into a residential and commercial complex with car parking spaces. The Project will be developed in three phases and is planned to be completed in 2016 and 2017. The land use certificates* (土地使用證) and the Planning Permit on Land for Construction Use* (建設用地規劃許可證) in respect of the Land have been granted.

Phase 1 of the Project (the "**Phase 1**") will be developed into eight buildings with 28 to 32 floors and two buildings with 9 floors. According to the latest development plan, these buildings will provide residential units of a total gross floor area of approximately 110,000 square meters, serviced apartments of approximately 19,000 square meters and commercial properties of a total gross floor area of approximately 9,000 square meters. The development of Phase 1 has commenced in 2013 and is expected to be completed in early 2016. Based on the development plan, the pre-sale of Phase 1 will be conducted between this year and 2015. As at the Latest Practicable Date, all the relevant major permits for the construction of Phase 1 including the Planning Permit on Construction Works* (建設工程規劃許可證) and the Working Permit on Construction Works* (建設工程施工許可證) have been granted.

Phase 2 of the Project (the "**Phase 2**") will consist of two buildings with 32 floors and will provide residential units of a total gross floor area of approximately 32,000 square meters and commercial properties of gross floor area of approximately 4,000 square meters. Phase 3 of the Project (the "**Phase 3**") will consist of nine buildings of 32 floors and will provide residential units of a total gross floor area of approximately 120,000 square meters and commercial properties of a total gross floor area of 7,000 square meters. The development of Phase 2 is planned to be commenced in first half of this year and its pre-sale is scheduled in early 2015. The development of Phase 3 is planned to be commenced in mid-2015 and its pre-sale is scheduled in 2016. The development of Phase 2 and Phase 3 is expected to be completed in 2016 and 2017 respectively.

As Shenzhen LSH Group is still in its early stage of development, it currently only maintains minimal number of staff, including a general manager who is responsible for the overall management and operation of Shenzhen LSH Group and staff of administrative and human resources department, accounting and finance department, engineering department and procurement department. Staff of these departments are mainly responsible for daily administration, budgeting, construction cost controlling, accounting, construction work monitoring and construction materials and office supplies merchandising respectively. The construction works of the Project is outsourced to certain independent third party contractors while the engineering department is responsible for the overall development of the Project, including planning and design of the Project, supervising and monitoring the quality, progress and safety issue of related construction works carried out by the independent third party contractors. Since the pre-sale of Phase 1 of the Project is expected to be commenced between this year and 2015, Shenzhen LSH Group will appoint more staff to take up the sale and marketing function.

It is expected that Shenzhen LSH Group will operate and develop the Project by self-financing upon Completion. Based on the current development plan, the Company confirms that there will be no capital to be contributed nor cost of development being liable by the Company.

Outlook of Maoming

Maoming is located in western region of Guangdong Province, the PRC. The total population in Maoming is approximately seven million with approximately one million in the urban area of Maoming City. GDP of RMB216 billion was achieved in 2013 and average GDP growth of over 10% was recorded in recent years.

The Western Guangdong Express Rail Link* (廣東西部沿海高速鐵路) will directly connect Maoming with Shenzhen, Guangzhou and Zhanjiang. The first phase of the railway connecting Maoming and Zhanjiang was completed in and operating since 2013. The second phase connecting Maoming with Shenzhen and Guangzhou is planned to be completed in 2017. Upon the completion of the second phase of the railway, the economy in the western region of Guangdong Province will be further boosted. Furthermore, in accordance with the Twelfth Five Year Plan of the Development of the Integrated Transportation System in Guangdong Province* (廣東省綜合運輸體系發展「十二五」規劃) published by the PRC government, the construction of Western Guangdong Province Airport* (粵西國際機場) will be commenced in the current year and expected to be completed by 2017. The management is optimistic on the future development of Maoming.

Financial information on Shenzhen LSH Group and Maoming Huada

The followings are (i) the audited consolidated financial information on Shenzhen LSH Group for the period from 10 May 2013 (being the date of the Vendor obtaining control on Maoming Huada) to 31 December 2013; and (ii) the audited financial information on Maoming Huada for the period from 26 January 2011 (being the date of Maoming Huada's establishment) to 31 December 2011 and the two financial years ended 31 December 2012 and 2013, prepared in accordance with the HKFRSs and extracted from the accountants' reports of Shenzhen LSH Group and Maoming Huada set out in Appendices II(A) and (B) to this circular respectively:

(i) Shenzhen LSH Group

	For the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013 (audited) *RMB'000*
Loss before and after tax	2,476

	As at 31 December 2013 (audited) *RMB'000*
Net liability value	192,569

(ii) Maoming Huada

	For the period from 26 January 2011 (date of establishment) to 31 December 2011 (audited) *RMB'000*	For the year ended 31 December 2012 (audited) *RMB'000*	For the year ended 31 December 2013 (audited) *RMB'000*
Loss before and after tax	1,147	2,505	3,922

	As at 31 December 2011 (audited) *RMB'000*	As at 31 December 2012 (audited) *RMB'000*	As at 31 December 2013 (audited) *RMB'000*
Net asset value	48,853	46,348	42,426

During the course of negotiation among the Group, the Vendor and the Guarantor, the Vendor advised the Company that on 12 July 2013 (i.e. prior to the date of LOI), Maoming Huada had disposed its investment in Maoming Caiyuan Company Limited* (茂名市財源實業有限公司) ("**Maoming Caiyuan**"), which was a limited liability company established in the PRC. As advised by the Vendor, Maoming Caiyuan only holds a piece of land in the PRC with no construction work on it and had been inactive since it has been owned by Maoming Huada in May 2011 and up to the date of the said disposal, to an independent third party buyer, who is not connected with the Vendor, the Guarantor and Shenzhen LSH Group. As such, the discussions and negotiations among the Group, the Vendor and the Guarantor were solely focused on Shenzhen LSH, Maoming Huada and the Land. The Board would, from a practical and commercial perspective, regard this disposal as the pre-acquisition reorganisation of the Vendor. Since Maoming Caiyuan has been disposed of to the independent third party buyer, all financial information, accounting records and underlying supporting documents of Maoming Caiyuan have been passed to and maintained by the independent third party buyer and it is impossible for the Company to access such financial information and accounting records for preparing the consolidated accounts of Shenzhen LSH Group. It is also impossible for the reporting accountants of the Company to obtain such financial information and accounting records to audit Maoming Caiyuan.

The principal commercial objective of the Group in the Acquisition is to purchase Maoming Huada, which owns the Land. It has never been the commercial intention of the Group to acquire Maoming Caiyuan as it was already disposed by the Vendor prior to the date of LOI. Since Maoming Caiyuan had been inactive during the entire period owned by Maoming Huada, the Company believes that there should not be any material contingent liability attached to Shenzhen LSH Group arising from the disposal of Maoming Caiyuan that will affect the results and the financial positions of Shenzhen LSH Group. In addition, in order to safeguard the interest of the Group, the Group will retain the Retention Fund of RMB50 million on Completion Date for any claims raised against Shenzhen LSH Group except those liabilities already disclosed in the management accounts of Shenzhen LSH Group as at 31 January 2014.

The Directors understand that the qualified opinion in the accountants' report of Shenzhen LSH Group as set out in Appendix II(A) to this circular is solely related to (i) the non-inclusion of the financial information of Maoming Caiyuan from the date Shenzhen LSH gained control on Maoming Caiyuan through Maoming Huada (i.e 10 May 2013, the date when the Vendor gained control of Maoming Huada) to the date when it ceased to control Maoming Caiyuan (i.e 12 July 2013, the date when Maoming Huada disposed Maoming Caiyuan) and (ii) the non-recognition of gain or loss on disposal of Maoming Caiyuan on date of disposal; and the qualified opinion in the accountants' report of Maoming Huada as set out in the Appendix II(B) to this circular is solely related to (i) the non-preparation of consolidated financial statements and (ii) no assessment of impairment of the investment in Maoming Caiyuan as at 31 December 2011 and 2012. The Directors accordingly considers that the Acquisition is still fair and reasonable after taking into consideration the above qualified opinions on Shenzhen LSH Group and Maoming Huada. Since the disposal of Maoming Caiyuan had been completed prior to the date of Sale and Purchase Agreement, it does not affect the Directors' assessment of the fairness and reasonableness of the amount of the Consideration as it is determined by the parties without reference to Maoming Caiyuan.

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.06(1)(a) AND 14.67(6)(a)(i) OF THE LISTING RULES

1. Background of the waiver

As at the date of the Sale and Purchase Agreement and up to the Latest Practicable Date, as advised by the Vendor, Shenzhen LSH Group only consists of Shenzhen LSH and Maoming Huada, which in turn owns the Land. In addition, as advised by the Vendor, Maoming Huada also held the entire equity interest in Maoming Caiyuan since 19 May 2011 and up to 12 July 2013, when Maoming Huada disposed its entire equity interest in Maoming Caiyuan to an independent third party buyer.

As set out in this Letter from the Board, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, pursuant to Rules 4.06(1)(a) and 14.67(6)(a)(i) of the Listing Rules, the Company is required to include the accountants' report on Shenzhen LSH Group, which should consist of Shenzhen LSH, Maoming Huada and Maoming Caiyuan (up to the date of its disposal) in this circular. However, the Company considers that it is impractical for the Company to obtain the financial information of Maoming Caiyuan after its disposal and applied to the Stock Exchange for a waiver (the "**Waiver**"), and the Stock Exchange has granted the Waiver from strict compliance with Rules 4.06(1)(a) and 14.67(6)(a)(i) of the Listing Rules to include the financial information of Maoming Caiyuan in the respective accountants' reports of Shenzhen LSH Group and Maoming Huada in this circular.

2. Reasons and basis for the waiver application

The Company sought the Waiver in view of the following:

(i) The principal commercial objective of the Group in the Acquisition is to purchase Maoming Huada, which owns the Land. It has never been the commercial intention of the Group to acquire Maoming Caiyuan as it was already disposed by the Vendor prior to the date of LOI. Indeed, the Company would regard the disposal as the pre-acquisition reorganisation of the Vendor.

(ii) All the financial information, accounting records and the underlying supporting documents of Maoming Caiyuan have been transferred to the independent third party buyer upon its disposal. As advised by the Vendor, he did not retain any financial information of Maoming Caiyuan after disposal and the independent third party buyer considers that it is inappropriate for any audited consolidated financial statements of Shenzhen LSH Group and Maoming Huada to include financial information of Maoming Caiyuan, which is a company owned by him now and is not part of or otherwise relevant to the Acquisition. Despite the Company through the Vendor requesting for such financial information, the independent third party buyer does not agree to provide access to such financial information, accounting records and underlying supporting documents to the Company and/or SHINEWING (HK) CPA Limited, the reporting accountants of the Company, for this purpose.

(iii) As an alternative, the Company has included in this circular (i) the accountants' report of Shenzhen LSH Group, as set out in Appendix II(A) to this circular, which has consolidated the financial statements of Shenzhen LSH and Maoming Huada for the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013; and (ii) the accountants' report of Maoming Huada, as set out in Appendix II(B) to this circular, which is the stand-alone financial statements of Maoming Huada for the period from 26 January 2011 (date of its establishment) to 31 December 2013.

The objectives of Rules 4.06(1)(a) and 14.67(6)(a)(i) of the Listing Rules are intended to provide sufficient information on the past performance of an acquired business or company during the last three financial years to enable shareholders to make an informed decision of a proposed acquisition. The Company considers that the non-inclusion of the financial information of Maoming Caiyuan for the three years ended 31 December 2013 would not result an omission of any information which would be material to enable the Shareholders to make an informed decision to approve the Acquisition as:

(a) as at 31 December 2013, the date of the Sale and Purchase Agreement, the Latest Practicable Date and the Completion Date respectively, Shenzhen LSH only held, holds and will hold Maoming Huada, which in turn owns the Land; and

(b) it is the financial position of Maoming Huada, which own the Land, which is of sole importance to the Shareholders for the purpose of the approval of the Acquisition.

Accordingly, the Company considers that the current accountants' reports of Shenzhen LSH Group and Maoming Huada together with the valuation report of the Land included in this circular are meaningful and sufficient to enable the Shareholders to evaluate the financial position of Shenzhen LSH Group and make an informed decision to approve the Acquisition.

INFORMATION ON THE GROUP, UNI-BUSINESS, THE VENDOR, MR. HU AND THE GUARANTOR

The Group is principally engaged in (i) property development in the PRC; (ii) property investment in the PRC; and (iii) trading business in relation to the distribution of electronic components and mobile phone modules. Uni-Business is a company incorporated in Hong Kong with limited liability and is a directly wholly-owned subsidiary of the Company. It is principally engaged in investments holding.

As advised by the Vendor, Mr. Huang Shibao, is a businessman and a citizen in the PRC.

As advised by the Vendor, Mr. Hu, is a businessman and a citizen in the PRC.

As advised by the Vendor, the Guarantor is a company established in the PRC and is principally engaged in trading of natural resources. As at the Latest Practicable Date, the Vendor and an Independent Third Party respectively hold 40% and 60% equity interests in the Guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, Mr. Hu and the Guarantor are third parties independent to the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As set out in the paragraph headed "Information on the Group, Uni-Business, the Vendor, Mr. Hu and the Guarantor" above, the Group is principally engaged in, among others, property development and investment in the PRC. As set out in the annual report of the Company for the year ended 31 December 2013, the deepening of urbanization and different demand in each city in the PRC will provide the growing opportunities in the real estate business. Although the PRC government may continue to impose strict property market measures, the Board is optimistic in the long term residential property market sector.

The Group disposed of its entire interest in its sole property project (the "**Disposal Project**") named Zhongzhu Uptown (中珠 • 上城) in June 2013 (for details of the Disposal Project, please refer to the announcements of the Company dated 15 May 2013 and 28 June 2013 and the Disposal Circular). As set out in the Disposal Circular, the Group intended to continue expanding its property development business sector. As such, the Board had actively explored potential property development projects during the second half of 2013. Based on the then preliminary information available to the Group in August 2013, the Board considered that it was appropriate to further assess the business potential and negotiate with the Vendor with respect to the potential acquisition of equity interest of Shenzhen LSH ultimately beneficially owned by the Vendor, as Shenzhen LSH involves the property development project relating to the Land. The Group, therefore, entered into the LOI on 27 August 2013 (as supplemented by the Supplemental LOI dated 30 December 2013) with the Vendor and the Guarantor. After months of assessments and negotiations with the Vendor and the Guarantor, the Board believes that the Acquisition provides the Group a chance to re-establish its position in the property market in Guangdong Province, the PRC after the Disposal Project.

As stated in the paragraph headed "Outlook of Maoming" above, the management is optimistic on the development of property market in Maoming. Currently, the price-level of the properties market in Maoming is relatively low as compared to other first or second tier cities in Guangdong Province (including Shenzhen, Guangzhou and Zhuhai, the PRC). The management believes the potential growth of property market is higher and the relevant downward risk of the properties pricing is smaller in Maoming and western region of Guangdong Province.

Based on the above, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Sale and Purchase Agreement, including the Consideration, are on normal commercial terms and are fair and reasonable.

POSSIBLE FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, Shenzhen LSH will become an indirectly wholly-owned subsidiary of the Company and Maoming Huada will become an indirectly 90% owned subsidiary of the Company. The Company will consolidate the assets and liabilities as well as the results of Shenzhen LSH Group into the Company's consolidated financial statements.

Effects on assets and liabilities

As at 31 December 2013, the audited consolidated total assets and liabilities of the Group amounted to approximately RMB532 million and RMB35 million respectively.

According to the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular which assumes that the Acquisition had been completed on 31 December 2013, the unaudited pro forma total assets of the Enlarged Group would increase to approximately RMB1,204 million and the unaudited pro forma total liabilities of the Enlarged Group would increase to approximately RMB638 million respectively.

Effects on earnings

For the year ended 31 December 2013, the audited consolidated net profit of the Group amounted to approximately RMB180 million and according to the accountants' report of Shenzhen LSH Group as set out in Appendix II(A) to this circular, the audited consolidated loss for the period from 10 May 2013 (being the date of the Vendor obtaining control on Maoming Huada) to 31 December 2013 of Shenzhen LSH Group was amounted to approximately RMB2.5 million. Since Shenzhen LSH Group is in its early stage of development and it is common for a property development group to expend costs for property construction, the Directors are in the opinion that in the short term, the earnings of the Group may decrease as the loss of Shenzhen LSH Group will be consolidated into the earnings of the Group after the Acquisition. The Directors believe that although Shenzhen LSH Group is not profitable currently, as the pre-sale of Phase 1 will be conducted between this year and 2015, in the longer term, it will be able to generate profit and improve the profit attributable to Shareholders in the future.

Accounting treatment to be adopted in respect of the Land and the relevant constructions on the Land

Upon Completion, the Land and the relevant constructions on the Land will be treated as properties under development of the Enlarged Group. Pursuant to the relevant accounting standards of HKFRSs, properties under development of the Group are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, and other direct development expenditure. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses. On completion of the construction, the properties are transferred to properties held for sale at their carrying values on the date of transfer.

LISTING RULES IMPLICATION

As two of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition, are greater than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and shareholders' approval requirements.

EGM

The EGM will be held at Fountains Room 1, LG/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 4 June 2014, at 11:30 a.m. to consider and, if thought fit, approve the ordinary resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. As advised by the Vendor, the Vendor (together with his associates), in aggregate hold 40,000,000 Shares (represented approximately 4.2% of the issued share capital of the Company) as at the Latest Practicable Date, the Vendor and his associates will abstain from voting on the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except for the above interests of the Vendor and his associates in the Company, no other Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, including the Acquisition, nor is required to abstain from voting on the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A notice convening the EGM is set out on pages 108 to 109 of this circular and a form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the extraordinary general meeting of the Company in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's head office and principal place of business in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the opinion that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution(s) in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

As the Completion is subject to the satisfaction and/or waiver where applicable, of the Conditions, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any securities of the Company.

By order of the Board
China Uptown Group Company Limited
Liu Feng
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group, including the notes thereto, for the year ended 31 December 2013 (the "**2013 Financial Statements**") are included on pages 47 to 171 in the annual report for the year of 2013 of the Company (the "**2013 Annual Report**") published on 9 April 2014.

The audited consolidated financial statements of the Group, including the notes thereto, for the year ended 31 December 2012 (the "**2012 Financial Statements**") are included on pages 48 to 163 in the annual report for the year of 2012 of the Company (the "**2012 Annual Report**") published on 16 April 2013.

The audited consolidated financial statements of the Group, including the notes thereto, for the year ended 31 December 2011 (the "**2011 Financial Statements**") are included on pages 46 to 155 in the annual report for the year of 2011 of the Company (the "**2011 Annual Report"**) published on 24 April 2012.

Each of the 2013 Financial Statements, the 2012 Financial Statements and the 2011 Financial Statements (but not any other part of the 2013 Annual Report, the 2012 Annual Report and the 2011 Annual Report) are incorporated by reference into this circular and form part of this circular.

The 2013 Annual Report, the 2012 Annual Report and the 2011 Annual Report have been released on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinauptown.com.hk). Internet links to the relevant annual reports are set out below:

2013 Annual Report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0409/LTN20140409887.pdf

2012 Annual Report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0416/LTN20130416859.pdf

2011 Annual Report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0424/LTN20120424173.pdf

2. INDEBTEDNESS

Statement of indebtedness

As at the close of business on 31 March 2014, being the latest practicable date for the purpose of the statement of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate bank facilities of approximately RMB465,999,000 comprising bank loans and revolving loan, among which approximately RMB456,895,000 had been utilised by the Enlarged Group at that date.

As at the close of business on 31 March 2014, the Enlarged Group had secured bank loans of approximately RMB456,895,000.

Security and guarantees

As at the close of business on 31 March 2014, the secured bank loans and revolving loans of the Enlarged Group were (a) guaranteed by corporate guarantee executed by the Company; (b) guaranteed by personal guarantee executed by the Vendor and (c) secured by the Enlarged Group's property, plant and equipment with a total carrying amounts of approximately RMB2,249,000; prepaid lease payments with a total carrying amounts of approximately RMB14,527,000 and properties under development with a total carrying amounts of approximately RMB426,814,000.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the rate of exchange prevailing the close of business on 31 March 2014.

Save as aforesaid or as otherwise disclosed in the section headed "Litigations" in Appendix VI of this circular, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, outstanding at the close of business on 31 March 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion that, after due and careful enquiry and taking into account the effect of the Acquisition, its internal resources and the existing available credit facilities of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up to.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) property development in the PRC; (ii) property investment in the PRC; and (iii) trading business in relation to the distribution of electronic components and mobile phone modules.

In view of the deepening of urbanization and different demand in each city in the PRC in 2014, the Directors are of the view that it will provide the growth opportunities in the real estate business. While the PRC government may continue to impose strict property market measures, the Board is optimistic in the long term residential property market sector, and particularly, the development of property market in Maoming. Currently, the price-level of the properties market in Maoming is relatively low as compared to other first or second tier cities in Guangdong Province (including Shenzhen, Guangzhou and Zhuhai, the PRC). The management believes the potential growth of property market is higher and the relevant downward risk of the properties pricing is smaller in Maoming and western region of Guangdong Province.

Upon Completion, the Company will develop the Project in three phases which are planned to be completed in 2016 and 2017. Phase 1 of the Project ("**Phase 1**") will be developed into eight buildings with 28 to 32 floors and two buildings with 9 floors providing residential units of a total gross floor area of approximately 110,000 square meters, serviced apartments of approximately 19,000 square meters and commercial properties of a total gross floor area of approximately 9,000 square meters. The development of Phase 1 has commenced in 2013 and is expected to be completed in early 2016. Based on the development plan, the pre-sale of Phase 1 will be conducted between this year and 2015. Phase 2 of the Project ("**Phase 2**") will consist of two buildings with 32 floors providing residential units of a total gross floor area of approximately 32,000 square meters and commercial properties of gross floor area of approximately 4,000 square meters. Phase 3 of the Project ("**Phase 3**") will consist of nine buildings of 32 floors providing residential units of a total gross floor area of approximately 120,000 square meters and commercial properties of a total gross floor area of 7,000 square meters. The development of Phase 2 is planned to be commenced in first half of this year and its pre-sale is scheduled in early 2015. The development of Phase 3 is planned to be commenced in mid-2015 and its pre-sale is scheduled in 2016. The development of Phase 2 and Phase 3 is expected to be completed in 2016 and 2017 respectively.

Looking forward, the Board will continue to explore potential property development projects or other investment opportunities that may strengthen the business and/or investment portfolio of the Group. The Board will also closely monitor future market trends and respond to market changes in a prudent and proactive manner to mitigate the investments risk in particular those caused by the increasing measures towards property markets of the PRC government via investing in the PRC.

The following is the text of a report received from the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

19 May 2014

The Board of Directors
China Uptown Group Company Limited
Suite 1501, 15/F,
Tower 1, Silvercord,
30 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding Shenzhen Longshenghang Supply Chain Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group"), which comprises the consolidated statement of financial position of the Target Group as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the period from 10 May 2013 to 31 December 2013 (the "Relevant Period") and together with notes thereto. The Financial Information has been prepared by the director of the Target Group for inclusion in Appendix II(A) of the circular dated 19 May 2014 (the "Circular") issued by China Uptown Group Company Limited (the "Company") in connection with the proposed acquisition of the entire equity interest of the Target Company which has 90% equity interest in Maoming Huada Real Estate Development Company Ltd. ("Maoming Huada") by the Company (the "Proposed Acquisition").

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 2 August 2013. The Target Company is principally engaged in investment holding. The address of the registered office and principle place of business of the Target Company is Room 1602, East Tower, Xingda Building, 597 Xinsha Street, Shajin Road, Baoan District, Shenzhen, Guangdong, PRC.

At the date of this report, no audited financial statements have been prepared for the Target Company as it has not carried out any business since its date of establishment as there is no statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all relevant transactions of these companies since its date of incorporation to 31 December 2013 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Financial Information.

The statutory financial statements of the Target Group for the Relevant Period was prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and was audited by SHINEWING (HK) CPA Limited, a firm of certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the director of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Period in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the director of the Target Company based on the Underlying Financial Statements on the basis set out in note 2 of Section B below, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The director of the Target Company is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the director of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The director of the Company is responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS FOR ADVERSE OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Target Company, its subsidiaries or the Target Group in respect of any period subsequent to 31 December 2013.

As disclosed in note 2 to Section B below, the result of a subsidiary which was disposed of during the Relevant Period was excluded from the Financial Information. Under HKFRS 10 "Consolidated Financial Statements" issued by the HKICPA, consolidated financial statements shall include the income and expenses of a subsidiary in the consolidated financial statements from the date the Target Company gains control until the date when it ceases to control the subsidiary. Had the result of the subsidiary been included in the Financial Information, many elements of the Financial Information would have been materially affected.

As the accounting records of the subsidiary which was disposed of during the Relevant Period was not available, the gain or loss on disposal of the subsidiary had not been properly calculated and recognised in the consolidated statement of profit or loss and comprehensive income in accordance with the requirements set out in HKFRS 10, constituted a departure from HKFRS. The effects on the consolidated financial statements of the failure to recognised the gain or loss on disposal of the subsidiary is unable to be determined.

ADVERSE OPINION

In our opinion, because of the significance of the matters discussed in the basis for adverse opinion section, the Financial Information do not give a true and fair view of the state of affairs of the Target Company as at 31 December 2013 and of its loss and cash flows for the Relevant Period. In all other respects, in our opinion the Financial Information has been properly prepared in accordance with the Hong Kong Companies Ordinance.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 10 May 2013 to 31 December 2013 RMB'000
Turnover	8	–
Bank interest income		19
Administrative expenses		(2,495)
Finance costs	9	–
Loss before tax		(2,476)
Income tax expense	10	–
Loss for the period and total comprehensive expense for the period	11	(2,476)
Loss for the period and total comprehensive expense for the period attributable to:		
Owners of the Target Company		(2,230)
Non-controlling interests		(246)
		(2,476)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2013 *RMB'000*
Non-current asset		
Plant and equipment	*15*	723
Current assets		
Deposits and other receivables	*16*	30,471
Properties under development	*17*	463,593
Restricted bank deposit	*18*	6,249
Bank balances and cash	*19*	4,753
		505,066
Current liabilities		
Other payables		4,256
Amount due to a shareholder	*20*	242,102
Amount due to a non-controlling shareholder of a subsidiary	*20*	2,000
Secured bank borrowings	*21*	450,000
		698,358
Net current liabilities		(193,292)
Total assets less current liabilities		(192,569)
Capital and reserves		
Paid-in capital	*22*	30,000
Reserves		(226,812)
Equity attributable to owners of the Target Company		(196,812)
Non-controlling interests		4,243
Total equity		(192,569)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owner of the Target Company					Non-	
	Paid-in capital	**Share premium**	**Merger reserve**	**Accumulated loss**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note a)	*(Note b)*				
Merger reserves arising from common control combination *(note 24)*	–	–	(224,600)	–	(224,600)	4,489	(220,111)
Issue of share on 2 August 2013 (date of establishment of the Target Company)	30,000	18	–	–	30,018	–	30,018
Loss and total comprehensive expense for the period	–	–	–	(2,230)	(2,230)	(246)	(2,476)
At 31 December 2013	30,000	18	(224,600)	(2,230)	(196,812)	4,243	(192,569)

Notes:

(a) Share premium represented the excess amount paid by the shareholder over the par value of shares. The share premium is non-distributable.

(b) During the Relevant Period, merger reserve was resulted from business combination under common control upon reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Period from 10 May 2013 to 31 December 2013** *RMB'000*
OPERATING ACTIVITIES		
Loss before tax		(2,476)
Adjustments for:		
Bank interest income		(19)
Depreciation of plant and equipment		56
Loss on disposal of plant and equipment		31
Operating cash flows before movements in working capital		(2,408)
Increase in deposits and other receivables		(10,352)
Increase in properties under development		(25,085)
Increase in other payables		(11,074)
NET CASH USED IN OPERATING ACTIVITIES		(48,919)
INVESTING ACTIVITIES		
Net cash outflow from business combination under common control	*24*	(262,425)
Increase in restricted bank deposit		(6,249)
Purchase of plant and equipment		(135)
Proceeds from disposal of a subsidiary		53,130
Proceeds from disposal plant and equipment		46
Bank interest received		19
NET CASH USED IN INVESTING ACTIVITIES		(215,614)
FINANCING ACTIVITIES		
Bank borrowings raised		450,000
Capital injection upon establishment		30,018
Repayment to a shareholder		(209,898)
Interest paid		(834)
NET CASH FROM FINANCING ACTIVITIES		269,286
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		4,753

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company was established in the the People's Republic of China (the "PRC") with limited liability on 2 August 2013.

The address of the registered office of the Target Company is Room 1602, East Tower, Xingda Building, 597 Xinsha Street, Shajin Road, Baoan District, Shenzhen, Guangdong, PRC.

The principal activity of the Target Company is investment holding. The major operating entity in the Target Group are principally engaged in development of real estate.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company and its subsidiary. RMB is the currency of the primary economic environment in which the principal subsidiary of the Target Company operate (the functional currency of the principal subsidiary).

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

On 4 September 2013, the Target Company of which Mr. Huang Shibao is the sole shareholder, has acquired the 90% equity interest of Maoming Huada from Mr. Huang Shibao.

Mr. Huang Shibao had obtained the control of Maoming Huada since 10 May 2013. Accordingly, the Target Company and Maoming Huada are ultimately controlled by and beneficially owned by Mr. Huang Shibao throughout the Relevant Period or since their respective dates of establishment up to 31 December 2013. The Target Group comprising the Target Company and Maoming Huada is regarded as a continuing entity. The Financial Information presents the consolidated results and financial position of the Target Group as if the current group structure had been in existence throughout the Relevant Period and as if the Maoming Huada's business was transferred to the Target Group at the beginning of the earliest period presented. All material intra-group transactions and balances have been eliminated on consolidation, using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as set out in note 4 below.

Prior to the acquisition of Maoming Huada by the Target Company, pursuant to the sale and purchase agreement dated 12 July 2013, Maoming Huada disposed of the entire equity interest in 茂名市財源實業有限公司 ("Maoming Caiyuan") to an independent third party. As a result of the disposal, all the accounting records and the underlying supporting documents of Maoming Caiyuan have been transferred to the buyer. Accordingly, the result of Maoming Caiyuan for the Relevant Period was excluded from the Financial Information. Details are set out in note 14 below.

As at 31 December 2013, the Target Group had capital deficiency of RMB192,569,000. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon the shareholder has agreed not to demand for any repayment of amount due to a shareholder of approximately RMB242,102,000 as at 31 December 2013 until the Target Group is in a financial position to do so. Upon completion of the Proposed Acquisition, the validity of going concern basis will depend upon the financial support of the Company, at a level sufficient to finance the working capital requirements of the Target Group. The Company has agreed to provide adequate funds for the Target Group to meet its liabilities as they fall due. The director of the Target Group is therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Target Group be unable to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Target Group has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Int"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the Relevant Period.

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)* – Int 21	Levies[1]

* HK (IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee)

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The director of Target Company does not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Target Group's Financial Information.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The director of Target Company does not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Target Group's Financial Information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The director of the Target Company anticipates that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Target Group's financial assets and financial liabilities.

Regarding the Target Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The director of the Target Company does not anticipate that the investment entities amendments will have any effect on the Target Group's Financial Information as the Target Group is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The director of the Target Company does not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Target Group's Financial Information as the Target Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash-generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash-generating unit was determined based on its fair value less costs of disposal.

The director of the Target Company does not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Target Group's Financial Information.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The director of the Target Company does not anticipate that the application of these amendments to HKAS 39 will have any effect on the Target Group's Financial Information as the Target Group does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The director of the Target Company anticipates that the application of HK (IFRIC) – Int 21 will have no effect on the Target Group's Financial Information as the Target Group does not have any levy arrangements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company (i.e. its subsidiary). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Business combinations under common control

The Financial Information incorporates the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Plant and equipment

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

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

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

Properties under development

Properties under development are stated at the lower of cost and net realisable value.

Cost comprises the costs of land use rights, construction costs, and other direct development expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses.

On completion, the properties are transferred to properties held for sale at their carrying values on the date of transfer.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as deposits and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When a other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Other financial liabilities

Other financial liabilities including other payables, amount due to a shareholder, amount due to a non-controlling shareholder of a subsidiary and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Impairment losses on tangible assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Bank deposit which is restricted to its use is included in "restricted bank deposit". Restricted bank deposit is excluded from cash and cash equivalents in the consolidated statement of cash flows.

Revenue recognition

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

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

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to a state-managed retirement benefit scheme in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

The full-time employees of the Target Group in the PRC are covered by a state-managed retirement benefit scheme under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Target Group contributed on a monthly basis to the scheme. Under the scheme, the Target Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, the director of the Target Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the director of the Target Group has made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Going concern consideration

Although the Target Group had net current liabilities at the end of the reporting period, the Target Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Target Group's liquidity requirements in the short and long term. The director of the Target Group considers that the Target Group has no significant liquidity risk. Details of which are set out in note 2.

Business combination

Mr. Huang Shibao had obtained the control of Maoming Huada since 10 May 2013. Accordingly, the Target Company and Maoming Huada are ultimately controlled by and beneficially owned by Mr. Huang Shibao throughout the Relevant Period or since their respective dates of establishment up to 31 December 2013. Accordingly, the Financial Information of the Target Group has been prepared on the basis as if the Target Company has always been the holding company of Maoming Huada since 10 May 2013, using the principles of merger accounting as set out in note 4 above.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The determination of the residual values and useful lives involve management's estimation. The Target Group assesses annually the residual values and the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

Impairment loss recognised in respect of plant and equipment

The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Target Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2013, the carrying amounts of plant and equipment of the Target Group is RMB723,000. No impairment was provided during the Relevant Period.

Estimated net realisable value of properties under development

In determining whether allowances should be made to the Target Group's properties under development, the director of the Target Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of disposal) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value of properties under development is less than expected as a result of a change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. As at 31 December 2013, the carrying amounts of properties under development of the Target Group is RMB463,593,000. No impairment was provided for the Relevant Period.

Estimated impairment of other receivables

The Target Group performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtors' current credit-worthiness, as determined by the review of their current credit information. The Target Group continuously monitors collections and payments from its debtors and maintains a provision of estimated credit losses based upon its historical experience. Credit losses have historically been within the Target Group's expectations and the Target Group will continue to monitor the collections from debtors and maintain an appropriate level of estimated credit losses. At 31 December 2013, the carrying amount of other receivables was approximately RMB30,471,000. No impairment was provided during the Relevant Period.

6. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Relevant Period.

The capital structure of the Target Group consists of secured bank borrowings, net of restricted bank deposit, bank balances and cash and equity attributable to owner of the Target Group, comprising issued share capital and reserves.

The director of the Target Group reviews the capital structure regularly. As part of this review, the director of the Target Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director of the Target Group, the Target Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013
	RMB'000
Financial assets	
Loans and receivables (including cash and cash equivalents)	35,163
Financial liabilities	
Amortised cost	698,358

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include deposits and other receivables, restricted bank deposit, bank balances and cash, other payables, amount due to a shareholder, amount due to a non-controlling shareholder of a subsidiary and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Target Group mainly operates in the PRC with most of the transactions settled in its functional currency. Therefore, the Target Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The interest income is derived from the Target Group's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in the PRC.

The Target Group's cash flow interest rate risk relates primarily to variable-rate bank deposits (see note 19 for details of these deposits) and variable-rate borrowings (see note 21 for details of these borrowings). It is the Target Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Target Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate stipulated by the People's Bank of China.

Sensitivity analysis

As of 31 December 2013, it is estimated that a general 50 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Target Group's loss for the period and accumulated losses by approximately RMB1,064,000 respectively.

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents director's assessment of a reasonably possible change in interest rates.

Credit risk

At the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Target Group has imposed various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of the Target Group considers that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Target Group is exposed to liquidity risk. As at 31 December 2013, the Target Group had capital deficiency of RMB192,569,000. The ability of the Target Group to operate as a going concern depends on the ongoing support from its shareholder.

The director of the Target Group has given careful consideration on the measure currently undertaken in respect of the Target Group's liquidity position. As detailed in note 2, the director of the Target Group believes that the Target Group will be able to meet its financial obligations as they fall due in the foreseeable future.

In management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise the rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

Liquidity tables

	At 31 December 2013		
	On demand or within 1 year	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*
Non-derivative financial liabilities			
Other payables	4,256	4,256	4,256
Amount due to a shareholder	242,102	242,102	242,102
Amount due to a non-controlling shareholder of a subsidiary	2,000	2,000	2,000
Secured bank borrowings	487,910	487,910	450,000
	736,268	736,268	698,358

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

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The director of the Target Group considers that the carrying amounts of the current financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

8. TURNOVER

The Target Group did not generate any turnover during the Relevant Period.

9. FINANCE COSTS

	Period from 10 May 2013 to 31 December 2013
	RMB'000
Interest expenses on:	
Bank borrowings wholly repayable within five years	1,710
Less: interest capitalised *(note 17)*	(1,710)
	–

The capitalisation ratio of borrowings for year ended 31 December 2013 is ranged from 8.50% to 9.00% per annum.

10. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as the Target Group has no assessable profits for the Relevant Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of the Target Group is 25% during the Relevant Period.

The income tax expense for the Relevant Period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Period from 10 May 2013 to 31 December 2013
	RMB'000
Loss before tax	(2,476)
Tax at domestic income tax rate of 25%	(619)
Tax effect of unused tax losses not recognised	619
Income tax expense for the period	–

As at 31 December 2013, the Target Group has unused tax losses of approximately RMB7,588,000 available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will be expired in five years from the year arising.

11. LOSS FOR THE PERIOD

	Period from 10 May 2013 to 31 December 2013
	RMB'000
Loss for the period has been arrived at after charging:	
Director's emoluments *(note a)*	–
Other staff costs	
– salaries, allowances and other benefits	824
– retirement benefit scheme contributions	58
	882
Auditor's remuneration	35
Depreciation of plant and equipment	56
Loss on disposal of plant and equipment	31

Note:

(a) Director's emoluments

No emolument was paid or payable to the director for the Relevant Period.

The director waived or agreed to waive any emoluments paid by the Target Group during the Relevant Period. No emoluments were paid by the Target Group to any director as an incentive payment for joining the Target Group or as compensation for loss of office during the Relevant Period.

12. DIRECTOR'S EMOLUMENTS AND CHIEF EXECUTIVE'S EMOLUMENTS

Employees' emoluments

Of the five individuals with highest emoluments in the Target Group, no director and chief executive of the Target Group whose emoluments are set out in the above. The emolument of the remaining five individuals were as follows:

	Period from 10 May 2013 to 31 December 2013
	RMB'000
Salaries, allowances and other benefits	276
Retirement benefit scheme contributions	13
	289

Their emoluments were within the following bands:

	Number of individuals Period from 10 May 2013 to 31 December 2013
Nil to HK$1,000,000 (equivalent to approximately: 2013: RMB791,000)	5

No emoluments have been paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group, or as compensation for loss of office during the Relevant Period.

13. DIVIDEND

No dividend was paid or proposed during the Relevant Period, nor has any dividend been proposed since the end of the reporting period.

14. INVESTMENT IN A DECONSOLIDATED SUBSIDIARY

Pursuant to the sales and purchase agreement dated 12 July 2013, Maoming Huada disposed of the entire equity interest in Maoming Caiyuan to an independent third party. As a result of the disposal, all the accounting records and the underlying supporting documents of Maoming Caiyuan have been transferred to the buyer. The result of Maoming Caiyuan for the Relevant Period was excluded from the Financial Information as the director of the Target Company considers that Maoming Caiyuan does not form part of the Target Group for the purpose of the Proposed Acquisition set out in the Circular.

Particulars of Maoming Caiyuan are as follows:

Name of company	**Place of establishment and operation**	**Issued and fully paid**	**Class of shares held/paid-in capital**	**Proportion of ownership interest indirectly held by the Company 2013**	**Principal activity**
Maoming Caiyuan	The PRC	RMB13,000,000	Ordinary	–	Inactive

The subsidiary has not had any debt securities outstanding as at the end of the reporting period or at any timing during the Relevant Period.

The net loss of the subsidiary not consolidated attributable to Target Company is:

	2013
	RMB'000
Dealt with in Target Company's Financial Information	–
Not dealt with in the Target Company's Financial Information	(309)

15. PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST			
Merger accounting effect for common control combination *(note 24)*	205	665	870
Additions	135	–	135
Disposal	–	(94)	(94)
At 31 December 2013	340	571	911
ACCUMULATED DEPRECIATION			
Merger accounting effect for common control combination *(note 24)*	49	100	149
Charge for the period	24	32	56
Eliminated on disposal	–	(17)	(17)
At 31 December 2013	73	115	188
CARRYING VALUES			
At 31 December 2013	267	456	723

The above items of plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, at the following rates per annum:

Office equipment	9.5%
Motor vehicles	19%

16. DEPOSITS AND OTHER RECEIVABLES

	2013 *RMB'000*
Deposits	624
Prepayment	6,310
Other receivables	23,537
	30,471

The Target Group does not hold any collateral over these balances.

17. PROPERTIES UNDER DEVELOPMENT

	2013 *RMB'000*
Merger accounting effect for common control combination *(note 24)*	436,798
Additions	25,085
Interest capitalised *(note 9)*	1,710
	463,593

	2013
	RMB'000
Represented by:	
Land use rights	426,814
Construction costs and capitalised expenditure	36,779
	463,593

The carrying amounts of the properties under development situated on the leasehold land in the PRC are as follows:

	2013
	RMB'000
Medium-term lease	92,718
Long-term lease	370,875
	463,593

Properties under development are classified as current asset as the construction period of the relevant property development project is expected to complete in the normal operating cycle.

As at 31 December 2013, the land use rights with carrying amount of approximately RMB426,814,000 was pledged to secure banking borrowings.

18. RESTRICTED BANK DEPOSIT

The restricted bank deposit represented the guarantee deposit for construction of project that required by the PRC Construction Bureau of Maoming City to place in a designated bank account.

19. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates at a range from 0.35% to 0.38% per annum throughout the Relevant Period.

20. AMOUNT DUE TO A SHAREHOLDER/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts are unsecured, interest-free and repayable on demand.

21. SECURED BANK BORROWINGS

	2013
	RMB'000
Carrying amount repayables	
– Within one year	450,000

The secured bank borrowings carried interest at the prevailing market interest rate. The effective interest rates of the secured bank borrowings at 31 December 2013 ranged from 8.50% to 9.00% per annum.

At 31 December 2013, the borrowing is secured against the Target Group land use rights included in properties under development with carrying values of approximately RMB426,814,000.

22. PAID-IN CAPITAL

	2013
	RMB'000
Registered and paid-in capital	30,000

The Target Group was established on 2 August 2013 with registered share capital of RMB30,000,000 which has already been fully paid up.

23. RETIREMENT BENEFITS SCHEME

The employees of the Target Group are members of a state-managed retirement benefit scheme operated by the government in the PRC. The Target Group is required to contribute certain percentage of the applicable payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to the consolidated statement of profit or loss and other comprehensive income of approximately RMB58,000 for the Relevant Period, represent contributions payable to the scheme by the Target Group during the Relevant Period.

24. BUSINESS COMBINATION UNDER COMMON CONTROL

On 30 August 2013, the Target Company entered into a share transfer agreement with 湛江市華大貿易有限公司 to acquire 90% equity interest of Maoming Huada at a consideration of approximately RMB265,000,000. The acquisition has been completed on 4 September 2013. The Target Group adopts merger accounting for common control combination in respect of the acquisition of Maoming Huada on the basis of preparation set out in note 2.

No significant adjustments were made to the net assets and net results of Maoming Huada as a result of the common control combination to achieve consistency of accounting policies.

Consideration transferred

	RMB'000
Cash consideration paid	265,000

Assets and liabilities recognised at the beginning of the Relevant Period

	RMB'000
Investment in a subsidiary	53,130
Plant and equipment	721
Other receivables	20,119
Properties under development	436,798
Bank balances and cash	2,575
Other payables	(14,454)
Amount due to a non-controlling shareholder of a subsidiary	(2,000)
Amount due to a shareholder	(452,000)
	44,889

Merger reserve arising from business combination under common control

	RMB'000
Consideration transferred	265,000
Add: non-controlling interests	4,489
Less: recognised amount of identifiable net assets acquired	(44,889)
	224,600

Net cash outflow on acquisition of Maoming Huada

	RMB'000
Cash consideration paid	265,000
Cash and cash equivalents acquired	(2,575)
	262,425

25. RELATED PARTY TRANSACTIONS

(a) Save as the balances with related parties at the end of each reporting period disclosed elsewhere in the Financial Information.

(b) Compensation to key management personnel

The director considers that he is the only key management personnel of the Target Company and no remuneration has been paid to him during the Relevant Period.

26. COMMITMENTS

Capital commitments

At the end of the Relevant Period, the Target Group had the following commitments for properties under development:

	2013
	RMB'000
Contracted for but not provided in the Financial Information	344,377

27. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Target Group were pledged to secure banking facilities as follows:

	2013
	RMB'000
Land use rights	426,814

28. PRINCIPAL SUBSIDIARY

Details of the principal subsidiary at 31 December 2013 are as follows:

Name of subsidiary	Place of establishment/ incorporation/ operation	Class of shares held	Issued and fully paid capital/ registered capital	Proportion ownership interest directly held by the Target Company	Principal activities
茂名市華大房地產開發有限公司 (Maoming Huada Real Estate Development Company Ltd.* *(note 1)*	The PRC	Contributed capital	RMB50,000,000	90%	Development of real estate in the PRC

* The English name is for identification purpose only.

Note 1: This entity established in the PRC is a foreign-owned enterprise.

The subsidiary had no debt securities outstanding as at the end of the year or at any time during the Relevant Period.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2013	Loss allocated to non-controlling interests 2013 *RMB'000*	Accumulated non-controlling interest 2013 *RMB'000*
Maoming Huada Real Estate Development Company Ltd.	the PRC	10%	(246)	4,243

Summarised financial information in respect of the Target Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2013 *RMB'000*
Maoming Huada Real Estate Development Company Ltd.	
Current assets	503,080
Non-current assets	723
Current liabilities	(461,377)
Equity attributable to owners of the Target Company	38,183

	2013
	RMB'000
Non-controlling interests	4,243

	Period from 10 May 2013 to 31 December 2013
	RMB'000
Turnover	–
Other income	10
Expenses	(2,473)
Loss and total comprehensive expense for the period	(2,463)
Loss and total comprehensive expense for the period attributable to owners of the Target Company	(2,217)
Loss and total comprehensive expense for the period attributable to the non-controlling interests	(246)
Loss and total comprehensive expense for the period	(2,463)
Net cash outflow from operating activities	(48,815)
Net cash inflow from investing activities	46,887
Net cash inflow from financing activities	3,870
Net cash inflow	1,942

29. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	Notes	**As at 31 December 2013**
		RMB'000
Non-current asset		
Investment in a subsidiary		265,000
Current assets		
Other receivables		40
Amount due from a subsidiary	*a*	455,870
Bank balances and cash		236
		456,146
Current liabilities		
Other payables		880
Amount due to a shareholder	*a*	241,971
Secured bank borrowings		450,000
		692,851
Net current liabilities		(236,705)
Total assets less current liabilities		28,295

	Notes	As at 31 December 2013 RMB'000
Capital and reserves		
Paid-in capital		30,000
Reserves	b	(1,705)
Total equity		28,295

Notes:

(a) Amounts due from (to) a subsidiary/a shareholder

The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000 (Note i)	Accumulated loss RMB'000	Total RMB'000
At 2 August 2013 (date of establishment)	18	–	18
Loss and total comprehensive expense for the period	–	(1,723)	(1,723)
At 31 December 2013	18	(1,723)	(1,705)

Note:

(i) Share premium represented the excess amount paid by the shareholder over the par value of shares. The share premium is non-distributable.

C. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2013.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591
Hong Kong

The following is the text of a report received from the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

19 May 2014

The Board of Directors
China Uptown Group Company Limited
Suite 1501, 15/F,
Tower 1, Silvercord,
30 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding 茂名市華大房地產開發有限公司 ("Maoming"), which comprises the statements of financial position of Maoming as at 31 December 2011, 2012 and 2013, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Maoming for the period from 26 January 2011 (date of establishment) to 31 December 2011 and two years ended 31 December 2012 and 2013 (the "Relevant Periods") together with notes thereto. The Financial Information has been prepared by the director of Maoming for inclusion in Appendix II(B) of the circular dated 19 May 2014 (the "Circular") issued by China Uptown Group Company Limited (the "Company") in connection with the proposed acquisition of the 100% equity interest of Shenzhen Longshenghang Supply Chain Limited by the Company (the "Proposed Acquisition").

Maoming was established in the People's Republic of China (the "PRC") with limited liability on 26 January 2011. Maoming is principally engaged in property development. The address of the registered office and principle place of business of Maoming is No. 2010-023, Yue Hua Dong Jie Xiao Qu, Zhan Qian Qi Lu, Maoming.

Maoming has adopted 31 December as its financial year end date. The statutory financial statements of Maoming for the period from 26 January 2011 (date of establishment) to 31 December 2011 and the year ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC and were audited by 廣東中乾會計師事務所. No audited statutory financial statements have been prepared for Maoming in respect of any period subsequent to 31 December 2012.

The financial statements of Maoming for the Relevant Periods were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by SHINEWING (HK) CPA Limited, a firm of certified public accountants registered in Hong Kong.

BASIS OF PREPARATION

For the purpose of this report, the director of Maoming has prepared the financial statements of Maoming for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the director of Maoming based on the Underlying Financial Statements on the basis set out in note 2 of Section B below, with no adjustments thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND REPORTING ACCOUNTANTS

The director of Maoming is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the director of Maoming determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The director of the Company is responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion thereon to you.

BASIS FOR ADVERSE OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of Maoming or its subsidiaries in respect of any period subsequent to 31 December 2013.

In accordance with HKFRS 10 "Consolidated Financial Statements" issued by the HKICPA, Maoming is required to prepare consolidated financial statements which consolidated the assets, liabilities and results of its subsidiary. As explained in note 2 of

Section B below, consolidated financial statements have not been prepared for the Relevant Periods. The results for the Relevant Periods, the relevant assets and liabilities of the subsidiary as at 31 December 2011 and 2012 are material to Maoming's consolidated financial statements. The non-preparation of consolidated financial statements is a departure from HKFRS 10. The effect of such departure on Maoming's consolidated financial statements is unable to be determined.

As at 31 December 2011 and 2012, Maoming's investment in a subsidiary as shown in the statements of financial position represented the investment cost of the entire equity interest in 茂名市財源實業有限公司 ("Maoming Caiyuan") of approximately RMB53,130,000. We were unable to obtain sufficient evidence regarding the director's assessment of impairment of the investment as at the end of the reporting periods as required by Hong Kong Accounting Standard ("HKAS") 36 "Impairment of Assets" issued by the HKICPA, and there were no practical alternative audit procedures that we could perform to satisfy ourselves as to whether the investment cost of approximately RMB53,130,000 as at year ended 31 December 2011 and 2012 were fairly stated. Any adjustment that might have been found to be necessary in respect of the above would have a consequential significant effect on the net assets of Maoming as at 31 December 2011 and 2012, its loss for the year then ended and the related disclosures in the Financial Information.

ADVERSE OPINION

In our opinion, because of the significance of the matters discussed in the basis for adverse opinion section, the Financial Information do not give a true and fair view of the state of affairs of Maoming as at 31 December 2011, 2012 and 2013 and of its loss and cash flows for the Relevant Periods. In all other respects, in our opinion the Financial Information has been properly prepared in accordance with the Hong Kong Companies Ordinance.

A. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 26 January 2011 (date of establishment) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
		RMB'000	*RMB'000*	*RMB'000*
Turnover	*8*	–	–	–
Bank interest income		29	2	11
Administrative expenses		(1,176)	(2,507)	(3,933)
Loss before tax		(1,147)	(2,505)	(3,922)
Income tax expense	*9*	–	–	–
Loss for the period/year and total comprehensive expense for the period/year	*10*	(1,147)	(2,505)	(3,922)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2011**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investment in a subsidiary	*13*	53,130	53,130	–
Plant and equipment	*14*	605	545	723
		53,735	53,675	723
Current assets				
Other receivables	*15*	17,149	16,319	30,431
Properties under development	*16*	429,122	432,451	461,883
Restricted bank deposit	*17*	–	–	6,249
Bank balances and cash	*18*	860	387	4,517
		447,131	449,157	503,080
Current liabilities				
Other payables		213	2,984	3,376
Amount due to a shareholder	*19*	1,000	1,500	2,131
Amount due to immediate holding company	*19*	450,800	452,000	455,870
		452,013	456,484	461,377
Net current (liabilities) assets		(4,882)	(7,327)	41,703
Total assets less current liabilities		48,853	46,348	42,426
Capital and reserves				
Paid-in capital	*20*	50,000	50,000	50,000
Accumulated losses		(1,147)	(3,652)	(7,574)
Total equity		48,853	46,348	42,426

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
Issue of share on 26 January 2011 (date of establishment)	50,000	–	50,000
Loss and total comprehensive expense for the period	–	(1,147)	(1,147)
At 31 December 2011	50,000	(1,147)	48,853
Loss and total comprehensive expense for the year	–	(2,505)	(2,505)
At 31 December 2012	50,000	(3,652)	46,348
Loss and total comprehensive expense for the year	–	(3,922)	(3,922)
At 31 December 2013	50,000	(7,574)	42,426

STATEMENTS OF CASH FLOWS

	Period from 26 January 2011 (date of establishment) to 31 December 2011	Year ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Loss before tax	(1,147)	(2,505)	(3,922)
Adjustments for:			
Bank interest income	(29)	(2)	(11)
Depreciation of plant and equipment	41	74	91
Loss on disposal of plant and equipment	–	–	31
Operating cash flows before movements in working capital	(1,135)	(2,433)	(3,811)
(Increase) decrease in other receivables	(17,149)	830	(14,112)
Increase in properties under development	(429,122)	(3,329)	(29,432)
Increase in other payables	213	2,771	392
NET CASH USED IN OPERATING ACTIVITIES	(447,193)	(2,161)	(46,963)
INVESTING ACTIVITIES			
Investment in a subsidiary	(53,130)	–	–
Purchase of plant and equipment	(646)	(14)	(346)
Bank interest received	29	2	11
Proceeds from disposal of a subsidiary	–	–	53,130
Proceeds from disposal of plant and equipment	–	–	46
Increase in restricted bank deposit	–	–	(6,249)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(53,747)	(12)	46,592
FINANCING ACTIVITIES			
Advance from immediate holding company	450,800	1,200	3,870
Capital injection upon establishment	50,000	–	–
Advance from a shareholder	1,000	500	631
NET CASH FROM FINANCING ACTIVITIES	501,800	1,700	4,501
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	860	(473)	4,130
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	–	860	387
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR, represented by bank balances and cash	860	387	4,517

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Maoming was established in the People's Republic of China (the "PRC") with limited liability on 26 January 2011.

The address of the registered office of Maoming is No. 2010-023, Yue Hua Dong Jie Xiao Qu, Zhan Qian Qi Lu, Maoming.

The principal activity of Maoming is engaged in development of real estate.

The director of Maoming considers that the immediate and ultimate holding company of Maoming as at the date of this report to be 深圳市隆盛行供應鏈有限公司 (Shenzhen Longshenghang Supply Chain Limited*), a company established in PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Maoming.

* For identification purpose only

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information of Maoming for the Relevant Periods are prepared solely for the purpose of providing certain information of Maoming to the management of the Company. Consolidated financial statements have not been prepared for Maoming and its subsidiary for the Relevant Periods. The results for the Relevant Periods, the relevant assets and liabilities of the subsidiaries as at 31 December 2011 and 2012 are material to Maoming's consolidated financial statements. The non-preparation of consolidated financial statements is a departure from HKFRS 10. The effect of such departure on Maoming's consolidated financial statements is unable to be determined.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Maoming has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("Int"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the financial year beginning on 26 January 2011.

Maoming has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)* – Int 21	Levies[1]

* HK (IFRIC) represents the Hong Kong (International Financial Reporting Interpretations Committee)

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The director of Maoming does not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on Maoming's Financial Information.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The director of Maoming does not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on Maoming's Financial Information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The director of Maoming anticipates that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of Maoming's financial assets and financial liabilities.

Regarding Maoming's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The director of Maoming does not anticipate that the investment entities amendments will have any effect on Maoming's Financial Information as Maoming is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The director of Maoming does not anticipate that the application of these amendments to HKAS 32 will have a significant impact on Maoming's Financial Information as Maoming does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash-generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash-generating unit was determined based on its fair value less costs of disposal.

The director of Maoming does not anticipate that the application of these amendments to HKAS 36 will have a significant impact on Maoming's Financial Information.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The director of Maoming does not anticipate that the application of these amendments to HKAS 39 will have any effect on Maoming's Financial Information as Maoming does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The director of Maoming anticipates that the application of HK (IFRIC) – Int 21 will have no effect on Maoming's Financial Information as Maoming does not have any levy arrangements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Investment in a subsidiary

Subsidiary is entity controlled by Maoming. Control is achieved when Maoming:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

In Maoming's statements of financial position, the investment in a subsidiary is stated at cost less identified impairment loss, if any. The results of the subsidiary are accounted for by Maoming on the basis of dividends received and receivable.

Plant and equipment

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

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

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

Properties under development

Properties under development are stated at the lower of cost and net realisable value.

Cost comprises the costs of land use rights, construction costs, and other direct development expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses.

On completion, the properties are transferred to properties held for sale at their carrying values on the date of transfer.

Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Maoming's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, restricted bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Maoming's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When a other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including other payables, amount due to a shareholder and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Impairment losses on tangible assets

At the end of the reporting period, Maoming reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Maoming estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Bank deposit which is restricted to its use is included in "restricted bank deposit". Restricted bank deposit is excluded from cash and cash equivalents in the statements of cash flows.

Revenue recognition

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from 'profit before tax' as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Maoming's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where Maoming is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Maoming intends to settle its current tax assets and liabilities on a net basis.

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

Current and deferred tax for the period/year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to a state-managed retirement benefit scheme in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

The full-time employees of Maoming in the PRC are covered by a state-managed retirement benefit scheme under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. Maoming contributed on a monthly basis to the scheme. Under the scheme, Maoming has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Leasing

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

Maoming as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Maoming's accounting policies, which are described in note 4, the director of Maoming is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The determination of the residual values and useful lives involve management's estimation. Maoming assesses annually the residual values and the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the period/year and the estimate will be changed in the future period.

Impairment loss recognised in respect of plant and equipment

The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with Maoming's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. As at the 31 December 2011, 2012 and 2013, the carrying amounts of plant and equipment of Maoming were RMB605,000, RMB545,000 and RMB723,000 respectively. No impairment was provided during the Relevant Periods.

Estimated net realisable value of properties under development

In determining whether allowances should be made to Maoming's properties under development, the director of Maoming takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of disposal) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value of properties under development is less than expected as a result of a change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. As at the 31 December 2011, 2012 and 2013, the carrying amounts of properties under development were RMB429,122,000, RMB432,451,000 and RMB461,883,000 respectively. No impairment was provided for the Relevant Periods.

Estimated impairment of other receivables

Maoming performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtors' current credit-worthiness, as determined by the review of their current credit information. Maoming continuously monitors collections and payments from its debtors and maintains a provision of estimated credit losses based upon its historical experience. Credit losses have historically been within Maoming's expectations and Maoming will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 December 2011, 2012 and 2013, the carrying amounts of other receivables were approximately RMB17,149,000, RMB16,319,000 and RMB30,431,000 respectively. No impairment was provided for the Relevant Periods.

6. CAPITAL RISK MANAGEMENT

Maoming manages its capital to ensure that entities in Maoming will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Maoming's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Maoming consists of restricted bank deposit, bank balances and cash and equity attributable to owner of Maoming, comprising issued share capital and reserves.

The director of Maoming reviews the capital structure regularly. As part of this review, the director of Maoming considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director of Maoming, Maoming will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	17,985	16,682	34,927
Financial liabilities			
Amortised cost	452,013	456,484	461,377

(b) Financial risk management objectives and policies

Maoming's major financial instruments include other receivables, restricted bank deposit, bank balances and cash, other payables, amount due to a shareholder and amount due to immediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Maoming mainly operates in the PRC with most of the transactions settled in its functional currency. Therefore, Maoming does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

Maoming's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers Maoming's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank deposits. Hence, no sensitivity analysis is presented.

Credit risk

At the end of each reporting period, Maoming's maximum exposure to credit risk which will cause a financial loss to Maoming due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of Maoming has imposed various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Maoming reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of Maoming considers that Maoming's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In management of the liquidity risk, Maoming monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Maoming's operations and mitigate the effects of fluctuations in cash flows.

All financial liabilities are non-interest bearing and their maturity dates are repayable on demand or within three months as at the end of each reporting period.

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The director of Maoming considers that the carrying amounts of the current financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

8. TURNOVER

Maoming did not generate any turnover during the Relevant Periods.

9. INCOME TAX EXPENSE

No Hong Kong Profits Tax has been provided as Maoming has no assessable profits for the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of Maoming is 25% during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the loss before tax per the statements of profit or loss and other comprehensive income as follows:

	26 January 2011 (date of establishment) to 31 December	Year ended 31 December	
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(1,147)	(2,505)	(3,922)
Tax at domestic income tax rate of 25%	(287)	(626)	(981)
Tax effect of unused tax losses not recognised	287	626	981
Income tax expense for the period/year	–	–	–

As at 31 December 2011, 2012 and 2013, Maoming has unused tax losses of RMB1,147,000, RMB3,652,000 and RMB7,574,000 available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. As at 31 December 2011, 2012 and 2013, unused tax losses of RMB1,147,000, RMB3,652,000 and RMB7,574,000 will be expired after five years from the year of arising respectively.

10. LOSS FOR THE PERIOD/YEAR

	Period from 26 January 2011 (date of establishment) to 31 December 2011	Year ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Loss for the period/year has been arrived at after charging:			
Director's emoluments			
– salaries, allowances and other benefits	60	90	90
– retirement benefit scheme contributions	5	6	6
	65	96	96
Other staff costs			
– salaries, allowances and other benefits	401	512	1,075
– retirement benefit scheme contributions	28	56	83
	429	568	1,158
Total staff costs	494	664	1,254
Auditor's remuneration	35	35	35
Depreciation of plant and equipment	41	74	91
Loss on disposal of plant and equipment	–	–	31
Minimum lease payments under operating lease for rented office premises	72	96	24

11. DIRECTOR'S EMOLUMENTS AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Director's emoluments

Details of the emoluments paid or payable to the director during the Relevant Periods were as follows:

	Salaries, allowances and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Period ended 31 December 2011			
Mr. Liu Nong	60	5	65
Year ended 31 December 2012			
Mr. Liu Nong	90	6	96
Year ended 31 December 2013			
Mr. Liu Nong *(note a)*	90	6	96

Note:

(a) Mr. Liu Nong resigned on 7 February 2014 and Mr. Chen Fei was appointed on 7 February 2014.

No director waived or agrees to waive any emolument paid by Maoming during the Relevant Periods. No emoluments were paid by Maoming to the director as an incentive payment to join or upon joining Maoming or as compensation for loss of office during the Relevant Periods.

(b) Employees' emoluments

Of the five individuals with highest emoluments in Maoming, one was director and the chief executive of Maoming whose emoluments are set out in the above. The emolument of the remaining four individuals were as follows:

	Period from 26 January 2011 (date of establishment) to 31 December	Year ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits	217	328	344
Retirement benefit scheme contributions	13	22	18
	230	350	362

Their emoluments were within the following bands:

	Number of individuals		
	Period from 26 January 2011 (date of establishment) to 31 December	Year ended 31 December	
	2011	**2012**	**2013**
Nil to HK$1,000,000 (equivalent to approximately: 2011: RMB827,000; 2012: RMB812,000; 2013: RMB791,000)	4	4	4

No emoluments have been paid by Maoming to the five highest paid individuals as an inducement to join or upon joining Maoming, or as compensation for loss of office during the Relevant Periods.

12. DIVIDEND

No dividend was paid or proposed during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

13. INVESTMENT IN A SUBSIDIARY

Details of the subsidiary as at the Relevant Periods are as follows:

	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity interest, at cost	53,130	53,130	–

Particulars of Maoming's subsidiary are as follows:

Name of company	Place of incorporation and operation	Issued and fully paid	Class of shares held/ paid-in capital	Proportion of ownership interest directly held by the Company			Principal activity
				2011	2012	2013	
Maoming Caiyuan	The PRC	RMB13,000,000	Ordinary	100%	100%	–	Inactive

The subsidiary has not had any debt securities outstanding as at the end of the reporting period or at any timing during the Relevant Periods.

The net loss of the subsidiary not consolidated attributable to Maoming is:

	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Dealt with in Maoming's Financial Information	–	–	–
Not dealt with the Company's Financial Information	(15)	(80)	(309)

On 12 July 2013, Maoming entered into an agreement with an independent third party not connected with Maoming to disposal of the entire equity interest in Maoming Caiyuan at a consideration at RMB53,130,000.

14. PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 26 January 2011 (date of establishment)	–	–	–
Additions	123	523	646
At 31 December 2011	123	523	646
Additions	14	–	14
At 31 December 2012	137	523	660
Additions	203	143	346
Disposal	–	(94)	(94)
At 31 December 2013	340	572	912
ACCUMULATED DEPRECIATION			
At 26 January 2011 (date of establishment)	–	–	–
Charge for the period	13	28	41
At 31 December 2011	13	28	41
Charge for the year	24	50	74
At 31 December 2012	37	78	115
Charge for the year	36	55	91
Eliminated on disposal	–	(17)	(17)
At 31 December 2013	73	116	189
CARRYING VALUES			
At 31 December 2011	110	495	605
At 31 December 2012	100	445	545
At 31 December 2013	267	456	723

The above items of plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, at the following rates per annum:

Office equipment	9.5%
Motor vehicles	19%

15. OTHER RECEIVABLE

	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Deposits	14	638	624
Prepayment	24	24	6,270
Other receivables	17,111	15,657	23,537
	17,149	16,319	30,431

Maoming does not hold any collateral over these balances.

16. PROPERTIES UNDER DEVELOPMENT

	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the period/year	–	429,122	432,451
Additions	429,122	3,329	29,432
	429,122	432,451	461,883

	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Represented by:			
Land use rights	426,814	426,814	426,814
Construction costs and capitalised expenditure	2,308	5,637	35,069
	429,122	432,451	461,883

The carrying amounts of the properties under development situated on the leasehold land in the PRC are as follows:

	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Medium-term lease	85,824	86,489	92,376
Long-term lease	343,298	345,962	369,507
	429,122	432,451	461,883

Properties under development are classified as current asset as the construction period of the relevant property development project is expected to complete in the normal operating cycle.

As at 31 December 2013, the land have been pledged to secure banking borrowings granted to immediate holding company.

17. RESTRICTED BANK DEPOSIT

The restricted bank deposit represented the guarantee deposit for construction of project that required to place in a designated bank account by the PRC Construction Bureau of Maoming City.

18. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates at a range from 0.35% to 0.38% per annum throughout the Relevant Periods.

19. AMOUNT DUE TO A SHAREHOLDER/IMMEDIATE HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand.

20. PAID-IN CAPITAL

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-in capital	50,000	50,000	50,000

Maoming was established on 26 January 2011 with registered share capital of RMB50,000,000 which has already been fully paid up.

21. RETIREMENT BENEFITS SCHEME

The employees of Maoming are members of a state-managed retirement benefit scheme operated by the government in the PRC. Maoming is required to contribute certain percentage of the applicable payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of Maoming with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to the statements of profit or loss and other comprehensive income of approximately RMB33,000, RMB62,000 and RMB89,000 for the Relevant Periods respectively, represent contributions payable to the scheme by Maoming during the Relevant Periods.

22. RELATED PARTY TRANSACTIONS

(a) Save as the balances with related parties at the end of each reporting period disclosed elsewhere in the Financial Information.

(b) Compensation to key management personnel

The remunerations of director and other members of key management during the Relevant Periods are as follows:

	26 January 2011 (date of incorporation) to 31 December	Year ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Short-term benefits	117	174	174
Retirement benefit scheme contributions	11	11	11
	128	185	185

The remuneration of director and other key management is determined with regards to the performance of individuals.

23. COMMITMENTS

Maoming as lessee

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

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	96	24	–
In the second to fifth year inclusive	24	–	–
	120	24	–

Operating lease payments represent rentals payable by Maoming for certain of its office premises. Leases are negotiated for an average term of two years with fixed rentals.

Capital commitments

At the end of the Relevant Periods, Maoming had the following commitments for properties under development:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for but not provided in the Financial Information	19,679	21,810	344,377

24. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of Maoming were pledged to secure banking facilities granted to the immediate holding company as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Properties under development	–	–	426,814

C. SUBSEQUENT FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements have been prepared by Maoming in respect of any period subsequent to 31 December 2013.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591
Hong Kong

(A) Management discussion and analysis on Shenzhen LSH Group

The following discussion and analysis should be read in conjunction with the accountants' report of Shenzhen LSH Group set out in Appendix II(A) to this circular.

REVENUE

Shenzhen LSH was established on 2 August 2013 and the Vendor had obtained control of Maoming Huada on 10 May 2013. The business of Shenzhen LSH Group has not commenced during the period from the date of Shenzhen LSH's establishment nor the date of the Vendor obtaining control on Maoming Huada to 31 December 2013. As a result, no revenue was generated during the above mentioned period.

LOSS ATTRIBUTABLE TO EQUITY HOLDER

Loss attributable to equity holder of Shenzhen LSH Group for the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013 was approximately RMB2,476,000, which was mainly attributable to the administrative expenses of approximately RMB2,495,000 incurred for daily operations.

CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2013, Shenzhen LSH Group had outstanding bank loans of approximately RMB450,000,000 (which was due in less than one year). Such bank loans were denominated in RMB and carried at variable interest rates of 8.5% to 9.0% per annum. As at 31 December 2013, Shenzhen LSH Group also had outstanding shareholder's loan of approximately RMB242,102,000 (which was unsecured, interest free and repayable on demand).

Gearing ratio (calculated as a percentage of net interest-bearing borrowing to total capital (i.e. the capital and reserves attributable to equity holder plus net interest-bearing borrowings)) of Shenzhen LSH Group as at 31 December 2013 was 177.7%.

The Project is currently mainly financed by various short-term bank loans with an aggregate amount of RMB450,000,000 which is the total amount of the line of credit granted by a licensed bank in the PRC and will be repayable after November 2014 respectively upon the expiry of the line of credit in November 2014. In view of this, Shenzhen LSH has entered into a non-legally binding memorandum of understanding (the **"MOU 1"**) with the bank on 20 February 2014. Pursuant to MOU 1, the bank agreed to extend the available period of the existing line of credit with the same amount of RMB450,000,000 upon its expiry. In addition, Maoming Huada has also entered into another non-legally binding memorandum of understanding (the **"MOU 2"**) with the same bank on 20 February 2014. Pursuant to MOU 2, the bank agreed to grant a fixed-term loan of RMB200,000,000 for 3 years to Maoming Huada.

FOREIGN EXCHANGE RISK MANAGEMENT

The operations of Shenzhen LSH Group were mainly in the PRC and transacted primarily in RMB during the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013. There was no significant foreign exchange risk arisen for Shenzhen LSH Group during the period under review.

FINANCIAL POSITION

The cash and cash equivalents of Shenzhen LSH Group as at 31 December 2013 was approximately RMB4,753,000, all of these cash and cash equivalents were in RMB. Net cash flow used in operating activities for the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013 was approximately RMB48,919,000 which was used for development and construction of the residential and commercial complex on the Land (i.e. the Project) as mentioned in the letter from the Board in this circular.

As at 31 December 2013, Shenzhen LSH Group had total assets of approximately RMB505,789,000, which mainly consisted of properties under development.

As at 31 December 2013, Shenzhen LSH Group had total liabilities of approximately RMB698,358,000, which mainly consisted of secured bank loans and shareholder's loan.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, Shenzhen LSH Group had full-time employees of 12. Total staff expenses for the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013 was approximately RMB882,000. Shenzhen LSH's remuneration policy is broadly aligned with companies with whom Shenzhen LSH Group competes for human resources and remuneration reflects performance, complexity and responsibility.

CAPITAL COMMITMENTS, CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Save for the capital commitment of approximately RMB344,377,000 for its properties under development, Shenzhen LSH Group had no significant investment, material acquisition, disposals and capital commitment during the period from 10 May 2013 (date of the Vendor obtaining control on Maoming Huada) to 31 December 2013.

Save for the land use rights with carrying amount of approximately RMB426,814,000 was pledged to secure the bank loans, there were no charges on assets and material contingent liabilities of Shenzhen LSH Group as at 31 December 2013.

FINANCIAL AND TRADING PROSPECTS OF SHENZHEN LSH GROUP

Shenzhen LSH Group will continue to hold and develop the Project and Shenzhen LSH will become an indirectly wholly-owned subsidiary of the Company and Maoming Huada will become an indirectly 90% owned subsidiary of the Company upon Completion. As a result, Shenzhen LSH Group will follow and execute the development plan of the Group on the Project.

The Project will be developed in three phases which are planned to be completed in 2016 and 2017. Phase 1 will be developed into eight buildings with 28 to 32 floors and two buildings with 9 floors providing residential units of a total gross floor area of approximately 110,000 square meters, serviced apartments of approximately 19,000 square meters and commercial properties of a total gross floor area of approximately 9,000 square meters. The development of Phase 1 has commenced in 2013 and is expected to be completed in early 2016. Based on the development plan, the pre-sale of Phase 1 will be conducted between this year and 2015. Phase 2 will consist of two buildings with 32 floors providing residential units of a total gross floor area of approximately 32,000 square meters and commercial properties of gross floor area of approximately 4,000 square meters. Phase 3 will consist of nine buildings of 32 floors providing residential units of a total gross floor area of approximately 120,000 square meters and commercial properties of a total gross floor area of 7,000 square meters. The development of Phase 2 is planned to be commenced in first half of this year and its pre-sale is scheduled in early 2015. The development of Phase 3 is planned to be commenced in mid-2015 and its pre-sale is scheduled in 2016. The development of Phase 2 and Phase 3 is expected to be completed in 2016 and 2017 respectively.

(B) Management discussion and analysis on Maoming Huada

The following discussion and analysis should be read in conjunction with the accountants' report of Maoming Huada set out in Appendix II(B) to this circular.

REVENUE

The Project was still under development and business of Maoming Huada has not commenced during the period from 26 January 2011 (date of Maoming Huada's establishment) to 31 December 2011 and the two years ended 31 December 2012 and 2013. As a result, no revenue was generated during the period under review.

LOSS ATTRIBUTABLE TO EQUITY HOLDER

Loss attributable to equity holder of Maoming Huada for each of the period from 26 January 2011 (date of Maoming Huada's establishment) to 31 December 2011 and the two years ended 31 December 2012 and 2013 were approximately RMB1,147,000, RMB2,505,000 and RMB3,922,000 respectively. Such losses were mainly attributable to the administrative expenses incurred for daily operations. The increase in loss attributable to equity holder was mainly due to increase in number of staff which in turn increased the salaries and staff benefits paid gradually.

CAPITAL STRUCTURE AND GEARING RATIO

As at 31 December 2011, 2012 and 2013, Maoming Huada had no outstanding bank loan respectively. As at 31 December 2011, 2012 and 2013, Maoming Huada had outstanding shareholder's loan of approximately RMB450,800,000, RMB452,000,000 and RMB455,870,000 (which were unsecured, interest free and repayable on demand) respectively.

Gearing ratio (calculated as a percentage of net interest-bearing borrowing to total capital (i.e. the capital and reserves attributable to equity holder plus net interest-bearing borrowings)) of Maoming Huada as at 31 December 2011, 2012 and 2013 were 0%, 0% and 0% respectively.

FOREIGN EXCHANGE RISK MANAGEMENT

The operations of Maoming Huada were mainly in the PRC and transacted primarily in RMB during the period from 26 January 2011 (date of Maoming Huada's establishment) to 31 December 2011 and the two years ended 31 December 2012 and 2013. There was no significant foreign exchange risk arisen for Maoming Huada during the period under review.

FINANCIAL POSITION

The cash and cash equivalents of Maoming Huada as at 31 December 2011, 2012 and 2013 were approximately RMB860,000, RMB387,000 and RMB4,517,000 respectively, all of these cash and cash equivalents were in RMB. Net cash flow used in operating activities for the period from 26 January 2011 (date of Maoming Huada's establishment) to 31 December 2011 and the two years ended 31 December 2012 and 2013 were approximately RMB447,193,000, RMB2,161,000 and RMB46,963,000 respectively. Such cash were mainly used for the development and construction of the Project, including the payment for acquiring the land use rights of the Land.

As at 31 December 2011, 2012 and 2013, Maoming Huada had total assets of approximately RMB500,866,000, RMB502,832,000 and RMB503,803,000 respectively which mainly consisted of investment in Maoming Caiyuan Company Limited* (茂名市財源實業有限公司) ("**Maoming Caiyuan**") and properties under development. During the entire period as owned by Maoming Huada, from May 2011 to July 2013, Maoming Caiyuan only owned a piece of land in the PRC with no construction work on it and was inactive. The increases in total assets during the years 2011 to 2013 were mainly due to the increase in properties under development.

As at 31 December 2011, 2012 and 2013, Maoming Huada had total liabilities of approximately RMB452,013,000, RMB456,484,000 and RMB461,377,000 respectively. The increases in total liabilities during the years 2011 to 2013 were mainly due to the increases in shareholders' loan for property development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, 2012 and 2013, Maoming Huada had full-time employees of 4, 4 and 12 respectively. Total staff expenses for each of the period from 26 January 2011 (date of Maoming Huada's establishment) to 31 December 2011 and the two years ended 31 December 2012 and 2013 were approximately RMB494,000, RMB664,000 and RMB1,254,000 respectively. The increase in total staff expense was mainly due to increase in number of staff. Maoming Huada's remuneration policy is broadly aligned with companies with whom Maoming Huada competes for human resources and remuneration reflects performance, complexity and responsibility.

CAPITAL COMMITMENTS, CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Save for the capital commitments of RMB19,679,000, RMB21,810,000 and RMB344,377,000 as at 31 December 2011, 2012 and 2013 respectively for properties under development, Maoming Huada had no significant investment, material acquisitions and capital commitment during the period from 26 January 2011 (date of Maoming Huada's establishment) to 31 December 2011 and the two years ended 31 December 2012 and 2013 respectively.

During the year ended 31 December 2013, Maoming Huada disposed its investment in Maoming Caiyuan for a consideration of approximately RMB53 million. Apart from such disposal, Maoming Huada had no other material disposal during the period under review.

Save for the land use rights with carrying amount of approximately RMB426,814,000 was pledged to secure the bank loans granted to Shenzhen LSH as at 31 December 2013, there were no charges on assets and material contingent liabilities of Maoming Huada as at 31 December 2011, 2012 and 2013.

FINANCIAL AND TRADING PROSPECTS OF MAOMING HUADA

Maoming Huada will continue to hold and develop the Project and Maoming Huada will become an indirectly 90% owned subsidiary of the Company upon Completion. It will follow and execute the development plan of the Group on the Project.

The Project will be developed in three phases which are planned to be completed in 2016 and 2017. Phase 1 will be developed into eight buildings with 28 to 32 floors and two buildings with 9 floors providing residential units of a total gross floor area of approximately 110,000 square meters, serviced apartments of approximately 19,000 square meters and commercial properties of a total gross floor area of approximately 9,000 square meters. The development of Phase 1 has commenced in 2013 and is expected to be completed in early 2016. Based on the development plan, the pre-sale of Phase 1 will be conducted between this year and 2015. Phase 2 will consist of two buildings with 32 floors providing residential units of a total gross floor area of approximately 32,000 square meters and commercial properties of gross floor area of approximately 4,000 square meters. Phase 3 will consist of nine buildings of 32 floors providing residential units of a total gross floor area of approximately 120,000 square meters and commercial properties of a total gross floor area of 7,000 square meters. The development of Phase 2 is planned to be commenced in first half of this year and its pre-sale is scheduled in early 2015. The development of Phase 3 is planned to be commenced in mid-2015 and its pre-sale is scheduled in 2016. The development of Phase 2 and Phase 3 is expected to be completed in 2016 and 2017 respectively.

The following is the text of a report received from the Company's reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

信永中和 ShineWing
SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

19 May 2014

The Directors
China Uptown Group Company Limited
Suite 1501, 15/F
Tower 1, Silvercord
30 Canton Road,
Tsimshatsui,
Kowloon,
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Uptown Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2013, and related notes as set out on pages 91 to 94 of the circular in connection with the proposed acquisition of 100% equity interest of Shenzhen Longshenghang Supply Chain Limited (the "Target Company") and its subsidiary (together with the Target Company, hereinafter referred to as the "Target Group") (together with the Group, hereinafter referred to as the "Enlarged Group") issued by the Company dated 19 May 2014 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on page 90 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the effect of acquisition of 100% equity interests of the Target Company (the "Acquisition") on the Group's financial position as at 31 December 2013 as if the Acquisition had taken place on 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's annual report for the year ended 31 December 2013.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 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" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29 of Chapter 4 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 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 complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" 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 the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition at 31 December 2013 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 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number P05591
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information of China Uptown Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Shenzhen Longshenghang Supply Chain Limited, (the "Target Company") and its subsidiary (together with the Target Company, hereinafter referred to as the "Target Group") (together with the Group, hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the proposed acquisition of 100% equity interest in the Target Group (the "Acquisition").

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013, which has been extracted from the published announcement of annual results of the Group for the year ended 31 December 2013 and the audited statement of financial position of the Target Group as at 31 December 2013 as set out in Appendix II(A) of this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the acquisition had been completed on 31 December 2013.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in Appendix I of the circular, historical financial information of the Target Group as set out in Appendix II(A) of the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 31 DECEMBER 2013

	The Group as at 31 December 2013	The Target Group as at 31 December 2013	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(Note 1)	*(Note 2)*				
Non-current assets						
Property, plant and equipment	28,435	723	29,158			29,158
Investment properties	179,800	–	179,800			179,800
Prepaid lease payments	228	–	228			228
Available-for-sale investments	–	–	–			–
	208,463	723	209,186			209,186
Current assets						
Inventories	–	–	–			–
Properties under development	–	463,593	463,593	378,407	*3(c)*	842,000
Trade and other receivables	4,198	30,471	34,669	38,232	*3(b)*	72,901
Refundable deposit paid for a possible acquisition	140,000	–	140,000	(140,000)	*3(a)*	–
Prepaid lease payments	6	–	6			6
Held-to-maturity investments	–	–	–			–
Held-for-trading investments	63	–	63			63
Income tax recoverable	178	–	178			178
Restricted bank deposit	–	6,249	6,249			6,249
Bank balances and cash	179,013	4,753	183,766	(110,000)	*3(a)*	73,766
	323,458	505,066	828,524			995,163
Current liabilities						
Trade and other payables	9,088	4,256	13,344	51,695	*3(a), 4*	65,039
Amount due to a shareholder	–	242,102	242,102	(242,102)	*3(b)*	–
Amount due to a non-controlling shareholder	–	2,000	2,000			2,000
Secured bank borrowings	7,018	450,000	457,018			457,018
	16,106	698,358	714,464			524,057
Net current assets (liabilities)	307,352	(193,292)	114,060			471,106
Total assets less current liabilities	515,815	(192,569)	323,246			680,292

	The Group as at 31 December 2013 *RMB'000* *(Note 1)*	The Target Group as at 31 December 2013 *RMB'000* *(Note 2)*	Sub-total *RMB'000*	Pro forma adjustments *RMB'000*	*Notes*	The Enlarged Group *RMB'000*
Capital and reserves						
Ordinary share capital	88,424	30,000	118,424	(30,000)	*5*	88,424
Convertible redeemable preference shares	152,006	–	152,006			152,006
Reserves	260,709	(226,812)	33,897	263,936	*3, 4, 5*	297,833
Equity attributable to owners of the Company	501,139	(196,812)	304,327			538,263
Non-controlling interests	(4,328)	4,243	(85)	28,508	*3(d)*	28,423
Total equity	496,811	(192,569)	304,242			566,686
Non-current liabilities						
Deferred taxation	19,004	–	19,004	94,602	*3(c)*	113,606
	515,815	(192,569)	323,246			680,292

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 included in the published annual report of the Group for the year ended 31 December 2013.

2. The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 December 2013 included in the accountants' report of the Target Group, as set out in Appendix II(A) of this circular.

3. On 25 February 2014, the Company entered into a sales and purchase agreement dated 25 February 2014 with Mr. Huang Shibao, which is the owner of 99.98% equity interest of the Target Group (the "Vendor"), in relation to the Acquisition (the "Sales and Purchase Agreement"), to acquire 99.98% equity interest of the Target Group, the shareholder's loan, which amounted to approximately RMB280,334,000 as at the date of the Sales and Purchase Agreement, due by Target Company to the Vendor (the "Target Shareholder's Loan"); and procure Mr. Hu Jing, which is the owner of 0.02% equity interest of the Target Group, to sell 0.02% of the equity interest of the Target Group. The consideration for the Acquisition is RMB300,000,000.

The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations".

The bargain purchase gain resulted from the Acquisition as if the Acquisition was completed on 31 December 2013 is calculated as follows:

		RMB'000
Consideration to acquire 100% equity interest of the Target Group	(a)	300,000
Less: Shareholder's loan acquired	(b)	(280,334)
Less: Net assets acquired	(c)	(91,236)
Add: Non-controlling interests attributable to the shareholders of a subsidiary of the Target Company	(d)	32,751
Bargain purchase gain arising from the Acquisition	(e)	(38,819)

(a) Pursuant to the terms of Sales and Purchase Agreement entered into by the Company with the Vendor, the aggregate consideration for the Acquisition is RMB300,000,000 which will be satisfied by the Company as follows:

(i) The deposit of RMB140,000,000 which had been paid by the Group after the date of non-legally binding letter of intent dated 27 August 2013.

(ii) The amount of RMB50,000,000 will be retained on completion date in which be released to the Vendor on the date of the first anniversary of completion date if no deduction for claim and the remaining amount of approximately RMB110,000,000 will be paid to the Vendor on completion date subject to the satisfactory fulfillment of conditions. As if the Acquisition was completed on 31 December 2013, the amount of RMB50,000,000 is included in trade and other payables.

(b) The shareholder's loan of the Target Company, which amounted to approximately RMB280,334,000 as at the date of the Sales and Purchase Agreement, due by Target Company to the Vendor. Upon completion of the Acquisition, the Target Company will become an indirectly wholly-owned subsidiary of the Company and the outstanding amount of the shareholder's loan of the Target Company will be due by the Target Company to the Group. Pursuant to the terms of Sales and Purchase Agreement, the shareholder's loan will be maintained at RMB280,334,000 on completion date of the acquisition. For the purpose of preparation of this unaudited pro forma consolidated statement of financial position, the balance of shareholder's loan was approximately RMB242,102,000 as at 31 December 2013. After eliminated the balance of RMB242,102,000 upon acquisition at the Enlarged Group level, the remaining balance of approximately RMB38,232,000 has been included in other receivables as if the Acquisition was completed on 31 December 2013.

(c) The amount of net assets acquired is calculated as below:

	RMB'000
Fair value of properties under development	842,000
Less: Carrying amount as stated in the Target Group's books	(463,593)
Fair value adjustment on properties under development	378,407
Deferred tax liabilities arising from fair value adjustments	(94,602)
Net liabilities of the Target Group	(192,569)
	91,236

For the purpose of preparation of the unaudited pro forma consolidated statement of financial position, it is assumed that the fair values of the identifiable assets and liabilities of the Target Group, except properties under development, approximates to their respective carrying amounts as at 31 December 2013. The fair values of the identifiable assets and liabilities of the Target Group as at the completion date of the Acquisition will be determined by the directors of the Company by reference to a valuation to be carried out by an independent professional qualified valuer. The fair values of the identifiable assets and liabilities of the Target Group determined on the completion date may be materially different from their respective values used in the preparation of the unaudited pro forma consolidated statement of financial position. Accordingly, the final amounts of assets or liabilities and bargain purchase gain or goodwill, if any, to be recognised in the consolidated financial statement of the Group upon completion may be materially different from the amounts adopted in the preparation of this unaudited pro forma consolidated statement of financial position.

The valuation of properties under development are taken with reference to the valuation report carried out by Vigers Appraisal & Consulting Limited, an independent professional qualified valuer not connected to the Group, based on market approach at 31 March 2014. It is assumed there is no material difference on the fair value of the properties under development on 31 December 2013 and 31 March 2014.

Deferred tax liabilities in respect of the fair value adjustment is approximately RMB94,602,000.

The directors of the Company have reviewed the carrying values of the Enlarged Group taking into account the independent valuation report. Based on the valuation report, the directors of the Company are of the opinion that there are no indications that the values of the properties under development of the Enlarged Group may be impaired as at 31 December 2013.

(d) The non-controlling interests was measured at the proportionate share (10%) at the fair value of Maoming Huada Real Estate Development Company Ltd.'s identifiable assets acquired and liabilities assumed.

(e) The adjustment reflects the pro forma bargain purchase gain of RMB38,819,000 arising from acquisition of the Target Group using the acquisition method which is consistent with the accounting policy on business combinations adopted by the Group.

4. The adjustments reflect the legal and professional fee of approximately HK$2,170,000 (equivalent to approximately RMB1,695,000, at an exchange rate prevailing at the close of business on 31 December 2013 of RMB1.00 = HK$1.28) in relation to the Acquisition, to be recognised as an expense in the profit or loss upon completion.

5. The adjustment represented the elimination of share capital of the Target Company amounting to RMB30,000,000 and pre-acquisition deficit of the Target Group amounting to approximately RMB226,812,000.

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this circular received from Vigers Appraisal & Consulting Limited, a qualified and registered independent valuer, in connection with its valuation as at 31 March 2014 of the market value of the Land.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

VIGERS 威格斯

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

19 May 2014

The Directors
China Uptown Group Company Limited
Suite 1501, Tower 1,
Silvercord,
No. 30 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with the instructions of China Uptown Group Company Limited (the "Company") for us to value the property interest held by 茂名市華大房地產開發有限公司 (Maoming Huada Real Estate Development Company Ltd.) ("Maoming Huada") in the People's Republic of China ("the PRC"), we confirm that we have carried out an inspections made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 31 March 2014 ("valuation date") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value 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 Maoming Huada under development in the PRC, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Company. 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.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Guangdong Zhong Cheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

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 value.

Our valuation is prepared 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.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 March 2014 was HK$1 = RMB0.8014. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) between that date and the date of this letter.

We enclose herewith the valuation certificate.

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

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty seven years' experiences in undertaking valuations of properties in Hong Kong and has over twenty years' experiences in valuations of properties in the PRC.

VALUATION CERTIFICATE

Property interest held by Maoming Huada under development in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2014
A development project located at the south of Zhanqian 7th Road, and east of West Yuenan Road, Maonan District, Maoming City, Guangdong Province, the PRC	The property comprises three parcels of land (Lot Nos.: 020010131116000, 020010131118000 and 020010131117000) having a total site area of approximately 93,415.68 sq.m. The property has been planned to be developed into a composite residential, serviced apartment and commercial development in 3 phases. According to the Company, the planned gross floor area of the property is as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 262,131.69 Serviced apartments 18,729.46 Public facilities 13,618.90 Commercial 18,802.30 Basement 111,723.96 Total: 425,006.31 According to the Company, Phases 1 and 2 of the development of the property are scheduled to be completed in 2016. Phase 3 of the development of the property is scheduled to be completed in 2017. The property is held with the land use rights for terms expiring on 31 May 2081 and 31 May 2051 for residential and commercial service uses respectively.	The property is currently under construction of the basement.	RMB842,000,000 (equivalent to approximately HK$1,051,000,000)

Notes:

1. According to 3 State-owned Land Use Rights Certificates, the land use rights of the property having a total site area of approximately 93,415.68 sq.m. have been granted to Maoming Huada for residential and commercial service uses. Details are summarized as follows:

No.	Lot No.	State-owned Land Use Rights Certificate No.	Use	Site Area *(sq.m.)*	Date of Term Expiry
1	020010131116000	Mao Guo Yong (2011) No. 02002265	Residential and Commercial service	45,832.76	Residential: 31 May 2081 Commercial service: 31 May 2051
2	020010131118000	Mao Guo Yong (2011) No. 02002266	Residential and Commercial service	12,344.05	Residential: 31 May 2081 Commercial service: 31 May 2051
3	020010131117000	Mao Guo Yong (2011) No. 02002267	Residential and Commercial service	35,238.87	Residential: 31 May 2081 Commercial service: 31 May 2051
			Total:	93,415.68	

2. According to a Planning Permit for Construction Land (Document No.: Di Zi No. (2011) 092) issued by Maoming Urban and Rural Planning Bureau on 23 June 2011, the construction site of a parcel of land with a site area of approximately 81,715.64 sq.m. is in compliance with the urban construction requirements.

3. According to a Planning Permit for Construction Works (Document No.: Jian Zi No. (2013) 036) issued by Maoming Urban and Rural Planning Bureau on 26 December 2013, the construction works of Phase 1 of the development of the property with a total gross floor area of 191,615.50 sq.m. is in compliance with the urban construction requirements and are approved.

4. According to a Permit for Commencement of Construction Works (Document No.: 440902201401260101) issued by Bureau of Housing and Urban-Rural Development of Maoming Municipality on 26 January 2014, the construction works of Phase 1 of the development of the property with a total gross floor area of 191,615.50 sq.m. is in compliance with the requirements for works commencement and are approved.

5. According to the Group, the construction cost expended in the property as at the date of valuation was approximately RMB86,000,000 and the construction cost to complete the whole development of the property is estimated to be approximately RMB780,000,000.

6. The capital value when completed of the proposed development is approximately RMB2,900,000,000.

7. According to the Company, Maoming Huada acquired the property in June 2011 at a total acquisition cost of approximately RMB430,000,000.

8. The property is not subject to any material encumbrances, title defects and material restrictions on the development of the property.

9. As at 31 December 2013, the land use rights of the property with carrying amount of RMB426,814,000 was pledged to secure the bank loans granted to Shenzhen LSH.

10. The property is situated in the southeast region of the town centre of Maoming City which is a commercial and residential district. It has been witnessed that the overall transaction volume of residential units in

Maoming City has gone through a period of consolidation in the fourth quarter of 2013 while the price level is stabilizing without obvious downward adjustment. The residential market of Maoming City was stabilizing in the first quarter of 2014 and the general price level of newly developed residential units in the region was about RMB5,000 – RMB7,500/sq.m.

11. The PRC legal opinion states, inter alia, the following:

    (i) Maoming Huada has obtained the State-owned Land Use Rights Certificates of the property, which are legal and valid.

    (ii) Maoming Huada has obtained the Planning Permit for Construction Work and Permit for Commencement of Construction Works of the Phase 1 of the development of the property, which are legal and valid.

12. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	State-owned Land Use Rights Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes (for Phase 1)
(iv)	Permit for Commencement of Construction Works	Yes (for Phase 1)

13. The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 28 February 2014.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company nor their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) which (1) 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 they were taken or deemed to have under such provisions of the SFO); or (2) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (3) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange.

	Number of Shares held				
Name of Directors	**Personal interest**	**Corporate interest**	**Number of options held**	**Total**	**Approximate percentage of shareholding**
Ms. Xia Dan *(Note)*	–	79,500,000	4,000,000	83,500,000	8.87%
Mr. Chen Xian	–	–	8,000,000	8,000,000	0.85%
Mr. Lau Sai Chung	148,000	–	4,000,000	4,148,000	0.44%
Mr. Poon Lai Yin, Michael	–	–	500,000	500,000	0.05%
Mr. Chan Chun Fai	–	–	500,000	500,000	0.05%
Mr. Ng Kwok Chu, Winfield	–	–	500,000	500,000	0.05%

Note: Ms. Xia Dan ("**Ms. Xia**") is taken to be interested in 79,500,000 shares held by Mega Edge International Limited which is 100% owned by Ms. Xia. By virtue of the SFO, Ms. Xia is deemed to have interest of the Shares held by Mega Edge International Limited.

3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, no other person (other than the Directors or the chief executive of the Company) had any 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 which were recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO, or who is expected, directly or indirectly, to be 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 in any options in respect of such capital.

(i) Long positions in the Shares

Substantial Shareholders	Capacity and nature of interest	Number of Shares held	Approximate percentage of shareholding
Mega Edge International Limited *(Note)*	Registered Shareholder	79,500,000	8.44%
Mr. Ho Man Hung	Registered Shareholder	185,600,000	19.71%

Note: Mega Edge International Limited, which is 100% owned by Ms. Xia. By virtue of the SFO. Ms. Xia is deemed to have interest of Shares held by Mega Edge International Limited.

(ii) Long positions in underlying shares

Name	Capacity and nature of interest	Number of Underlying Shares held	Approximate percentage of shareholding
Preference shares:			
Best Contract Holdings Limited ("**Best Contact**") *(Notes 1 and 2)*	Beneficial owner	268,421,054	28.51%
Mr. Xu Deliang *(Note 2)*	Interest of a controlled corporation	268,421,054	28.51%

Notes:

1. The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) Limited ("**Weina**") and through such agreement and the exercise of option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares in 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina entered into a first supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. By a second supplemental agreement dated 23 October 2009, the conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than 7 days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference shares shall become transferable. On 25 May 2010, Weina transferred 225,000,000 convertible redeemable preference shares to Best Contact. On 31 August 2010, Weina further transferred 50,000,000 convertible redeemable preference shares to certain individuals. On 17 March 2011, Weina further transferred 75,000,000 convertible redeemable preference shares to Best Contact.

   Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid preference A shares into 110,000,000 Shares. By a supplemental agreement dated 23 October 2009, the conversion period for the aforesaid preference A shares is extended for a further 12 months from the expiry date of the conversion period; the said conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than 7 days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference A shares shall become transferable. On 25 May 2010, Weina transferred 5,000,000 convertible redeemable preference A shares to Best Contact. On 31 August 2010, Weina further transferred 70,000,000 convertible redeemable preference A shares to certain individuals. On 17 March 2011, Weina further transferred 35,000,000 convertible redeemable preference A shares to Best Contact.

   In accordance with the terms and conditions of the convertible redeemable preference shares and the convertible redeemable preference A shares, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares will be adjusted as a result of the issue of the Convertible Bonds to HK$0.38.

2. Best Contact is legally and beneficially owned by Mr. Xu Deliang. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Xu Deliang is an independent third party of the substantial Shareholders and Directors.

   On 14 November 2012, Best Contact has exercised HK$30,000,000 principal amount of the Preference Shares and HK$4,000,000 principal amount of the Preference A Shares at the adjusted Conversion Price of HK$0.38 and 78,947,368 and 10,526,315 Conversion Shares have been issued accordingly.

   As at 31 December 2013, Best Contact have 19,473,683 ordinary shares of the Company, which represented 2.07% of the issued share capital of the Company.

   As at 31 December 2013, Mr. Xu Deliang also directly owned 21,980,000 ordinary shares of the Company, which represented approximately 2.33% of the issued share capital of the Company. Together with the ordinary shares owned by Best Contact, Mr. Xu Deliang is deemed to have approximately 4.40% of the issued share capital of the Company.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which, since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Group were made up, had been acquired, or disposed of, or leased to any member of the Company, or are proposed to be acquired, or disposed of, or leased to any member of the Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group, which did not expire or was not determinable by the relevant member of Group within one year without compensation, other than statutory compensation.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business in which the Group is engaged in.

7. LITIGATIONS

As at the Latest Practicable Date, the Group has the following litigation:

On 31 January 2013, an indirectly wholly-owned subsidiary of the Company, Techwayson Industrial Limited* (德維森實業(深圳)有限公司) received a writ of summons from Guangdong Sun Law Firm* (廣東國暉律師事務所) in relation to the full payment of legal fee of RMB18,000,000 for the professional services rendered for investigation of an investment in a trust company. The Company decided to defend against and obtained legal advice in respect of the merits of the claim. The Directors expect that there will not be any material adverse financial effect on the earnings, net assets and liabilities of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group.

8. MATERIAL CONTRACTS

Within the two years immediately preceding the issue of this circular, the following contracts (not being contracts entered into the ordinary course of business of the Group) has been entered into by members of the Group which are or may be material:

(i) a third supplemental agreement dated 20 February 2013 entered into between Mr. Ho Man Hung, a substantial Shareholder, and Boom Lotus Holdings Limited (**"Boom Lotus"**), the then indirectly wholly-owned subsidiary of the Company immediately prior to the Company's disposal of its entire interest in Boom Lotus in June 2013, in relation to the further deferral of payment of the remaining sum of HK$63,593,000 under the sale and purchase agreement entered into between Mr. Ho Man Hung and Boom Lotus dated 11 August 2009 to 20 November 2013;

(ii) a non-legally binding letter of intent dated 5 December 2012 (as amended and supplemented by a supplemental letter of intent dated 15 April 2013) entered into between Boom Lotus and an Independent Third Party in relation to the potential acquisition of 70% equity interest in a company established in the PRC which is principally engaged in property development. The non-legally binding letter of intent expired on 15 August 2013;

(iii) an agreement dated 15 May 2013 entered into between Ace Goal Holdings Limited, an Independent Third Party, and Lead Prospect Investment Holdings Limited, a directly wholly-owned subsidiary of the Company, in relation to the disposal of the Company's entire interest in Boom Lotus;

(iv) the LOI and Supplemental LOI; and

(v) the Sale and Purchase Agreement.

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The followings are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	**Qualification**
SHINEWING (HK) CPA Limited	Certified public accountants
Vigers Appraisal & Consulting Limited	Professional surveyors and valuers
Guangdong Zhong Cheng Law Firm	PRC legal adviser

As at the Latest Practicable Date, each of SHINEWING (HK) CPA Limited, Vigers Appraisal & Consulting Limited and Guangdong Zhong Cheng Law Firm has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinions, advice and/or letter in the form and context in which it appears herein.

As at the Latest Practicable Date, none of the experts aforementioned were beneficially interested in any share capital of any member of the Group, directly or indirectly or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts aforementioned has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Group were made up.

10. GENERAL

(i) The registered address of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(ii) The head office and principal place of business of the Company in Hong Kong is situated at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(iii) The principal share registrar and transfer office of the Company is at Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY 1-1110, Cayman Islands.

(iv) The Hong Kong branch share registrar and transfer office of the Company is at Union Registrars Limited, 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(v) The company secretary of the Company is Mr. Fu Lui. Mr. Fu was appointed as the financial controller and company secretary of the Company with effect from 2 July 2010. Mr. Fu is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He holds a master degree in business administration from The Chinese University of Hong Kong and a bachelor degree in accountancy from The Hong Kong Polytechnic University. He has extensive professional experience in accounting.

11. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION

Copies of the following documents are available for inspection at Suite 1501, 15/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the accountants' report from SHINEWING (HK) CPA Limited of Shenzhen LSH Group, the text of which is set out in Appendix II(A) to this circular;

(iii) the accountants' report from SHINEWING (HK) CPA Limited of Maoming Huada, the text of which is set out in Appendix II(B) to this circular;

(iv) the report on unaudited pro forma financial information on the Enlarged Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix IV to this circular;

(v) the property valuation report of the Land from Vigers Appraisal and Consulting Limited, the text of which is set out in Appendix V to this circular;

(vi) the material contracts referred to under the section headed "Material contracts" in this appendix;

(vii) the annual reports of the Company for the two financial years ended 31 December 2012 and 2013;

(viii) the written consents from the experts referred to under the section headed "Qualifications and consents of experts" in this appendix;

(ix) the Disposal Circular; and

(x) this circular.

CHINA UPTOWN

China Uptown Group Company Limited
中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2330)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the **"EGM"**) of China Uptown Group Company Limited (the **"Company"** and its subsidiaries, collectively the **"Group"**) will be held at Fountains Room 1, LG/F., Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 4 June 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(a) "**THAT** the Sale and Purchase Agreement (the "**Agreement**") dated 25 February 2014 entered into between Uni-Business Limited ("**Uni-Business**"), as the purchaser, Mr. Huang Shibao (the "**Vendor**"), as the vendor, and Zhanjiang Huada Trading Co., Limited, as the guarantor, pursuant to which Uni-Business has conditionally agreed to acquire (and/or procure its nominee to acquire) and the Vendor has conditionally agreed to sell 99.98% (the "**Target Equity Interest**") of the entire equity interest of Shenzhen Longshenghang Supply Chain Limited* (深圳市隆盛行供應鏈有限公司) ("**Shenzhen LSH**") and the shareholder's loan, which amounted to approximately RMB280 million as at the date of the Agreement, due by Shenzhen LSH to the Vendor and procure Mr. Hu Jing* (胡經) to sell 0.02% of the Target Equity Interest for total consideration of RMB300 million and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) "**THAT** any one director of the Company be and is/are hereby authorised for and on behalf of the Company to execute the Agreement, all such other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with matters contemplated in or relating to the Agreement and to agree to such variation, amendment or waiver as are, in the opinion of such director, in the interests of the Company, as he/she/they may consider necessary, desirable or expedient."

By order of the Board
China Uptown Group Company Limited
Fu Lui
Company Secretary

19 May 2014

Registered office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Suite 1501, 15th Floor
Tower 1, Silvercord
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of associations of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's head office and principle place of Business in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In the case of joint holders of shares of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you wish, and in such event, the form of proxy shall be deemed to be revoked.

5. As at the date of this notice, the executive Directors are Mr. Liu Feng, Mr. Chen Xian, Mr. Lau Sai Chung and Ms. Xia Dan and the independent non-executive Directors are Mr. Poon Lai Yin, Michael, Mr. Chan Chun Fai and Mr. Ng Kwok Chu, Winfield.

* *for identification purpose only*