THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Heritage International Holdings Limited ("Company"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

HERITAGE INTERNATIONAL HOLDINGS LIMITED
漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

(Warrant Code: 1248)

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
GLOBAL CASTLE INVESTMENTS LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM to be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 28 March 2013 at 9:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. If you are not able to attend the meeting, you are strongly advised to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 29/F., China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

* *For identification purpose only*

12 March 2013

CONTENTS

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

"Acquisition Agreement"	the sale and purchase agreement dated 5 October 2012 entered into between the Purchaser and the Vendor in relation to the Acquisition as supplemented by the Supplemental Agreement
"Acquisition"	the acquisition of the Sale Share and Sale Loan by the Purchaser pursuant to the Acquisition Agreement
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Billion Vision"	Billion Vision Investments Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Global Castle as at the Latest Practicable Date
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Consideration"	the aggregate consideration payable by the Company in respect of the Acquisition under the Acquisition Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition immediately after the Completion
"Equal Leader" or "Purchaser"	Equal Leader Limited, a company incorporated in BVI with limited liability, which is a wholly-owned subsidiary of the Company
"Forestlands"	parcels of forestland held by Sheng Yuan in various locations in Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, the PRC as referred to in this circular

"Global Castle"	Global Castle Investments Limited, a company incorporated in BVI with limited liability, which is a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
"Global Castle Group" or "Target Group"	Global Castle, Billion Vision, Sheng Yuan and, in relation to the period before 12 September 2012 on which Mao Yuan was disposed of by Sheng Yuan, Mao Yuan
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKAS"	Hong Kong Accounting Standards issued by HKICPA
"HKFRS"	Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Investigation Report"	the forestry survey report prepared in September 2012 by 河北省林業調查規劃設計院 (Forest Survey and Planning Institute of Hebei Province*), an independent licenced forestry professional in the PRC, in relation to the existing status of the forest resources and development potentials of the Forestlands
"Latest Practicable Date"	11 March 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"LCH"	LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2013, or such later date as the Purchaser and the Vendor may agree
"Mao Yuan"	青龍滿族自治縣茂源農業有限公司(Qinglong Manchu Autonomous County Mao Yuan Agriculture Co. Limited*), a company incorporated in the PRC with limited liability, which was a wholly-owned subsidiary of Sheng Yuan from its date of incorporation to 11 September 2012
"mu"	Chinese Mu, one of which equals approximately 667 square meters

"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	the entire shareholder loan and other indebtedness owed by the Target Group to the Vendor at the Completion
"Sale Share"	1 ordinary share of US$1 each, representing the entire issued share capital of Global Castle
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened at 9:00 a.m. on Thursday, 28 March 2013 to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder, the notice of which is set out at the end of this circular
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of the Company
"Sheng Yuan"	盛源（天津）投資管理服務有限公司(Sheng Yuan (Tianjin) Investments Management Services Company Limited*), a wholly foreign-owned enterprise established in Tian Jin, the PRC and an indirect wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 24 December 2012 entered into between the Purchaser and the Vendor in respect of the Acquisition Agreement as announced in the announcement of the Company dated 24 December 2012
"Vendor"	Speedy Harvest Holdings Limited, a limited company incorporated in BVI

* *For identification purpose only*

For the purpose of this circular, unless otherwise specified, all amounts in RMB are translated at an exchange rate of RMB1: HK$1.214. No representation is made that any amounts in RMB and HK$ can be or could have been converted at any relevant dates at the above rates or at any other rates at all.

HERITAGE INTERNATIONAL HOLDINGS LIMITED
漢基控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 412)
(Warrant Code: 1248)

Executive Directors:
Kwong Kai Sing, Benny
Ong Peter
Poon Chi Wan
Chow Chi Wah, Vincent
Wu Jian

Independent Non-Executive Directors:
To Shing Chuen
Ha Kee Choy, Eugene
Chung Yuk Lun
Lo Wong Fung

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:
29/F., China United Centre
28 Marble Road
North Point
Hong Kong

12 March 2013

To the Shareholders and, for information purpose only, the holders of warrants of the Company

Dear Sir or Madam,

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
GLOBAL CASTLE INVESTMENTS LIMITED
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated 5 October 2012, in which the Board announced that, Equal Leader, a wholly-owned subsidiary of the Company, as the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which Equal Leader conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share and the Sale Loan at the Consideration of HK$800 million.

Reference is also made to the Company's announcement dated 24 December 2012, in which the Board announced that the Purchaser and the Vendor entered into the Supplemental Agreement subsequently to amend certain terms of the Acquisition Agreement.

The purpose of this circular is to provide you with further information regarding (i) details of the Acquisition; (ii) the accountants' report of the Target Group; (iii) the pro forma statement of assets and liabilities of the Enlarged Group; (iv) the valuation report of the Forestlands; (v) the valuation report for the biological assets in the Forestlands for financial reporting purpose; (vi) the notice convening the SGM; and (vii) other information required to be disclosed under the Listing Rules.

THE ACQUISITION AGREEMENT

The material terms of the Acquisition Agreement are summarised below:

Date: 5 October 2012 (after trading hours) as supplemented by the Supplemental Agreement dated 24 December 2012

Parties: (i) Purchaser: Equal Leader, a wholly-owned subsidiary of the Company

(ii) Vendor: Speedy Harvest Holdings Limited

The Vendor is an investment holding company incorporated in BVI. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share, representing the entire issued share capital of Global Castle, together with the Sale Loan. Upon Completion, Global Castle will become a wholly-owned subsidiary of the Company.

According to the audited consolidated financial statements of the Target Group as at 31 December 2012, the amount due from the Target Group to the Vendor is approximately HK$62.9 million. The Sale Loan is unsecured, interest free and without fixed repayment date.

Consideration

Pursuant to the Acquisition Agreement (as amended by the Supplemental Agreement), the Consideration is HK$800 million, which is to be satisfied by the Purchaser in the following manner:

(i) HK$20 million in cash, as an initial deposit (the "**Initial Deposit**"), was paid by the Purchaser to the Vendor on 5 October 2012, upon signing of the Acquisition Agreement;

(ii) HK$130 million in cash, as a further deposit (the "**Further Deposit**"), has been paid by the Purchaser to the Vendor within the fourteen days after 5 October 2012, being the date of the Acquisition Agreement (before the Supplemental Agreement dated 24 December 2012);

(iii) HK$50 million in cash, as the third deposit (the "**Third Deposit**"), was paid by the Purchaser to the Vendor upon signing of the Supplemental Agreement on 24 December 2012; and

(iv) HK$600 million in cash, representing the remaining balance of the Consideration, shall be paid by the Purchaser to the Vendor upon the Completion.

If the Acquisition Agreement does not become unconditional by the Long Stop Date (and therefore is terminated automatically) solely because of the Company's failure to issue the circular and the notice of the SGM in a timely manner in accordance with the Listing Rules to convene the SGM by the Long Stop Date to seek the Shareholders' approval of the Acquisition Agreement, the Third Deposit will be forfeited to the Vendor (and in such case only the Initial Deposit and the Further Deposit would be refunded to the Purchaser). If the Acquisition Agreement does not become unconditional by the Long Stop Date (and therefore is automatically terminated) for other reasons (or if the Acquisition Agreement is not completed due to default of the Vendor), the Initial Deposit, the Further Deposit and the Third Deposit shall still be refunded in full to the Purchaser (without interest).

The Consideration is expected to be funded by internal resources of the Group and/or external borrowings. A loan of HK$400 million was obtained by the Company from a financial institution on 1 February 2013.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net liabilities of the Target Group of approximately HK$1.8 million as set out in the unaudited consolidated management accounts of the Target Group (which Mao Yuan was not consolidated) as at 31 August 2012; (ii) the preliminary valuation of the Forestlands as at 31 July 2012 prepared by LCH at approximately RMB669 million (equivalent to approximately HK$812 million); (iii) the amount due from the Target Group to the Vendor amounted to approximately HK$57.7 million as set out in the unaudited consolidated management accounts of the Target Group as at 31 August 2012; and (iv) the potential appreciation of the value of the Forestlands in the future.

Conditions precedent

Completion of the Acquisition Agreement is conditional upon the fulfillment or waiver (if applicable) of the following conditions:

(1) the obtaining the Shareholders' approval of the Acquisition Agreement and transactions contemplated thereunder at the SGM in accordance with the Listing Rules and the bye-laws of the Company;

(2) the Purchaser being reasonably satisfied with the results of the due diligence review on the Target Group, including but not limited to (a) the financial, legal, accounting, business, taxation and trading positions and aspects of each member of the Target Group; and (b) the title of each member of the Target Group to its assets and its outstanding liabilities and obligations;

(3) the warranties given by the Purchaser under the Acquisition Agreement remaining true and accurate, and not misleading;

(4) the warranties given by the Vendor under the Acquisition Agreement remaining true and accurate, and not misleading; and

(5) no material adverse change in the financial position, business or property, results of operations of the Target Group as a whole having occurred.

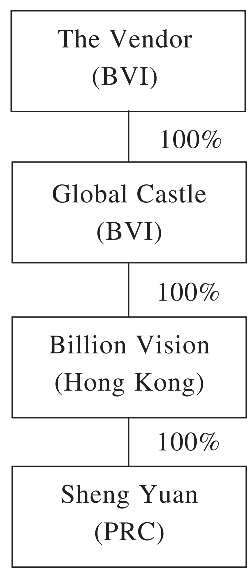
In the event the abovementioned conditions precedent are not fulfilled (or conditions precedent (2), (4) and (5) above not being waived by the Purchaser) on or before the Long Stop Date, all rights, obligations and liabilities of the parties shall cease provided that the rights and liabilities of any of the parties which have accrued prior to termination shall subsist. Conditions (2), (4) and (5) are primarily for the benefit of the Purchaser exclusively. The Company considers that it should be entitled to reserve to itself at the outset the lawful right to waive immaterial breaches and irregularities to complete the transaction and rather than letting it fall through. Any waiver, if ever granted, would still entitle the Purchaser to recover damages for warranty claims from the Vendor after completion. The Purchaser is also entitled to make its waiver conditional on, for instance, the Vendor effecting such remedies in so far as they are capable of remedy or making compensations to the Target Group or the Purchaser as required to preserve their positions, financial, legal or otherwise, if it had not been such breaches and irregularities. Failure of accepting or performance of such additional conditions by the Vendor would still result in the Acquisition Agreement incapable of becoming unconditional and terminated. In granting any waiver, the Board will ensure that it is fair and reasonable and in the interests of the Company and its shareholders as a whole. As at the Latest Practicable Date, the Company and the Purchaser have no intention to waive any of the conditions precedent above.

As at the Latest Practicable Date, save for the lack of financial information of Mao Yuan which, based on the understanding of the Company, has been transferred to the new owner of Mao Yuan and led to the disclaimer opinion of the reporting accountants of the Target Group as disclosed in the paragraph headed “Financial Information of the Target Group” below and the accountants’ report of the Target Group as set out in Appendix II to this circular, the Company is satisfied with the results of due diligence review and no material irregularities have been identified up to the Latest Practicable Date.

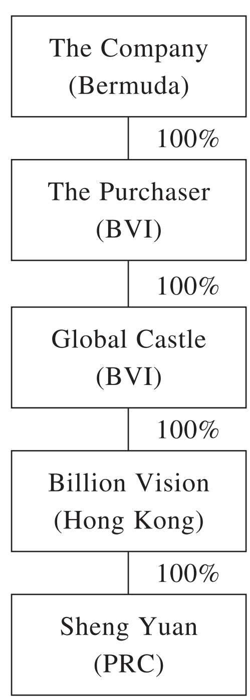
Completion

Completion will take place within one month after all conditions precedent to the Acquisition Agreement being fulfilled (or being waived). Upon Completion, Global Castle, Billion Vision and Sheng Yuan will become wholly-owned subsidiaries of the Company. Set out below is the corporate structure of the Target Group immediately before and after Completion.

Immediately before Completion:



Immediately after Completion:



INFORMATION ON THE TARGET GROUP

As at the Latest Practicable Date, the Target Group comprises Global Castle, Billion Vision and Sheng Yuan.

Global Castle

Global Castle is an investment holding company incorporated in BVI on 28 January 2011 with limited liability. Global Castle is a wholly-owned subsidiary of the Vendor and owns the entire issued share capital of Billion Vision as at the Latest Practicable Date.

Billion Vision

Billion Vision is an investment holding company incorporated in Hong Kong on 3 December 2010 with limited liability. Billion Vision is a wholly-owned subsidiary of Global Castle and owns 100% equity interest in Sheng Yuan as at the Latest Practicable Date.

Sheng Yuan

Sheng Yuan is a company incorporated on 30 January 2011 as a wholly foreign-owned enterprise in the PRC. As at the Latest Practicable Date, Sheng Yuan has registered capital of HK$9.0005 million and has been fully paid up. It is principally engaged in investment management services and production and management of forest base (including cultivating and planting fruit trees, saplings and trees for the greening purpose).

Before the Company entered into the Acquisition Agreement on 5 October 2012, Sheng Yuan had owned 100% equity interest in Mao Yuan. Mao Yuan is a company incorporated in the PRC with limited liability and was a wholly-owned subsidiary of Sheng Yuan since its date of incorporation on 25 May 2011. It was disposed of by Sheng Yuan to a third party on 12 September 2012. To the best of the knowledge of the Directors after making reasonable enquiries, the new owner of Mao Yuan and its ultimate beneficial owners are independent of and not connected with the Company or any of its connected persons.

During the course of negotiation between the Company and the Vendor, the Company had been advised by the director of the Vendor that Mao Yuan would be divested out of the Target Group before the entering into the Acquisition Agreement. As such, the discussions and negotiations between the Company and the Vendor were solely focused on the Forestlands and the related corporate entities in the Target Group. The Company would, from a practical and commercial perspective, regard this disposal as pre-acquisition reorganisation that the Vendor is entitled to take before the Acquisition Agreement. As such, the Company submits that the disposal of Mao Yuan should not have material impact on the audited financial information of the Target Group. Moreover, in order to safeguard the interest of the Company, it is provided in the Acquisition Agreement that the Vendor has given relevant general warranties that there would not be any liabilities outstanding under any guarantee or other contingent obligations of the Target Group or of any obligations and indebtedness of the Target Group incurred except in the ordinary course of business of the members of the Target Group or as disclosed in the financial statements of the Target Group. Since Mao Yuan has been disposed of before the Acquisition Agreement, the Vendor is insisting on its rights to maintain the financial information and accounting records of Mao Yuan, as a private enterprise, confidential.

Accordingly, the principal commercial objective of the Group in the Acquisition is to purchase those corporate vehicles, that is, the Target Group members, holding interests in the Forestlands. It has never been the commercial intention of the Group to acquire Mao Yuan as part of the Target Group. The Company believes that there should not be any contingent liability attached to the Target Group arising from the disposal of Mao Yuan that will affect the results and the financial positions of the Target Group. The Directors understand that the qualified opinion in the accountants' report of the Target Group as set out in Appendix II to this circular is solely related to the non-inclusion of the financial information of Mao Yuan. The Directors accordingly considers that the Acquisition is still fair and reasonable after taking into consideration the qualified opinion of the reporting accountants on the Target Group. The disposal of Mao Yuan 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 Mao Yuan.

In 2011, Sheng Yuan entered into various forest land management rights transfer agreements（承包經營權流轉協議）(the "**Transfer Agreements**") with respective village committees of Qinglong Manchu Autonomous County（青龍滿族自治縣）in relation to the forest land use rights in the total area of 63,035.29 mu. Pursuant to the Transfer Agreements, Sheng Yuan has paid approximately RMB43.5 million as transfer fees（流轉費）to the villagers. As at the Latest Practicable Date, Sheng Yuan has obtained the Forest Rights Certificates issued by the People's Government of Qinglong Manchu Autonomous County（青龍滿族自治縣人民政府）for the Forestlands with a total area of 63,035.29 mu. Pursuant to the Forest Rights Certificates, Sheng Yuan has the legal rights to occupy, use, lease, transfer (or by other legal means) the forest lands and the biological assets on the Forestlands from 10 February 2011 to 10 February 2057. As at the Latest Practicable Date, Sheng Yuan does not possess any licenses and approvals on out planting, cutting, logging, transplanting or selling the biological assets in the Forestlands on piecemeal basis.

The Forestlands are located in Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province of the PRC. Qinglong Manchu Autonomous County is a Manchu autonomous county of the northeastern part of Hebei Province bordering Liaoning Province to the north and east and located in the eastern part of Yan Mountains.

The Investigation Report was prepared by Forest Survey and Planning Institute of Hebei Province ("**FSPI Hebei**") to provide an investigation on the status and potential development of the Forestlands. FSPI Hebei is an independent unit engaging in forest survey, planning or design within PRC under the Regulations Governing the Accreditation of Qualifications on Forest Survey, Planning and Design* (林業調查規劃設計單位資格認證管理辦法) issued by State Forestry Administration on 3 February 2012. FSPI Hebei is certified by China Forestry Construction Association* (中國林業工程建設協會) and graded with class AB for undertaking the task of forest survey, planning and design in the PRC. It is the view of the Directors that the Investigation Report is a reliable report to assess the value of the biological assets on the Forestlands for financial reporting purpose and the value of the Forestlands respectively.

The methodology of the Investigation Report for its forest resources investigation involved two main steps. Firstly, the professional technicians conducted classification, zoning and interpretation of all land parcels based on the adjusted high resolution airborne remote sensing image (高解析度航空遙感影像). The surface configuration parameters of each land parcel are calculated based on geological models. Secondly, professional technicians were designated to carry out on-site investigations to verify the specifications of each forest land parcel, including the current land use, site condition and species of tree. Besides, they will make use of the geological information system technology to create the investigation factor database (調查因數資料庫). Given such basis, forest resource in the Forestlands is quantified by the aggregation of different classifications of land parcels.

According to the Investigation Report, the Forestlands comprise various parcels of generally hilly sloping land planted with various forest trees and fruit trees. The land parcels on the Forestlands were classified into several types of lands in the Investigation Report. Out of 63,035.29 mu of the Forestlands, (i) approximately 39,524.21 mu is classified as land with forest (有林地); (ii) approximately 16,644.44 mu is suitable land for forest (宜林地); (iii) approximately 1,327.89 mu is classified as afforested land (未成林); and (iv) approximately 5,538.75 mu is classified as wood and shrub land (灌木林，疏林). The classification of each type of land represents the existing plantation status on the Forestlands and is a description only but does not necessarily represent the highest and best function of each type of land in the Forestlands.

Among these areas, approximately 40,571.54 mu of the Forestlands is planted with four major species of fruit trees, which approximately 33,653.66 mu is planted with apricot trees, approximately 5,341.15 mu is planted with hawthorn trees, approximately 990.65 mu is planted with chestnut trees and approximately 586.08 mu is planted with pear trees. No further information about the condition of the tree species was provided in the Investigation Report and no counting of trees was carried out.

During the due diligence review, the Company found that there has not been any system in place for collection of information relating to the amount of fruits produced and/or collected by the villagers in local community. Those villagers do not keep proper records of cost, harvests and incomes of their respective harvesting areas. The Company could only manage to obtain some raw data from them. It is difficult for the Company to ascertain and assess the completeness and reliability of these raw data before the Completion as the Forestlands cover a huge projected area of 63,035.29 mu. Under these circumstances, the Company considers it neither prudent nor proper to estimate the historical revenue or cash flow from the fruit trees without reasonable basis and to make a projection of future revenue or cash flow. Sales comparison approach instead of income approach has been applied in the valuation report of the biological assets prepared for financial reporting purpose only since the Company was not able to provide any financial projections of either revenue or cash flow to be generated from the biological assets. For further details of the biological assets in the Forestlands, please refer to the valuation report of the biological assets in the Forestlands in Appendix V to this circular.

Set out below is a summary of the Forest Rights Certificates owned by Sheng Yuan as at the Latest Practicable Date:

No. of Forest Right Certificate	Location	Area (mu)	Transfer fee (流轉費) (RMB)	Duration of forestland use right and forest tree ownership right
28, 38, 29	Sanxingkou Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	7,415.49	5,116,688	10 February 2011 to 10 February 2057
39, 31	Chutoushi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	6,003.90	4,142,691	10 February 2011 to 10 February 2057
35, 34, 33	Longtou Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	12,610.00	8,700,900	10 February 2011 to 10 February 2057
13	Sandaogou Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	6,496.50	4,482,585	10 February 2011 to 10 February 2057
24, 25, 23	Guzhangzi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	5,636.20	3,888,978	10 February 2011 to 10 February 2057
26, 27	Muzhangzi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	4,908.00	3,386,520	10 February 2011 to 10 February 2057
21, 22	Dongzhuanchenghao Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	2,869.10	1,979,679	10 February 2011 to 10 February 2057

No. of Forest Right Certificate	Location	Area (mu)	Transfer fee (流轉費) (RMB)	Duration of forestland use right and forest tree ownership right
19, 20, 18	Xizhuanchenghao Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	1,839.00	1,268,910	10 February 2011 to 10 February 2057
16, 17	Litaizi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	9,052.60	6,246,294	10 February 2011 to 10 February 2057
15, 14	Taozhangzi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	6,204.50	4,281,105	10 February 2011 to 10 February 2057
Total		63,035.29	43,494,350	

As set out in the valuation report of the Forestlands prepared by LCH in Appendix IV to this circular, the market value of the Forestlands is valued at approximately RMB675 million (equivalent to approximately HK$819 million) as at 31 December 2012. Sales comparison approach has been applied for the valuation of the Forestlands. After considering (i) LCH is an experienced valuer in valuation of forest lands in the PRC; (ii) the valuation report of the Forestlands has been prepared in accordance with the guidelines set by the International Valuation Standard 2011 published by the International Valuation Standards Council and the Hong Kong Institute of Surveyors Valuation Standards on Property published by Hong Kong Institute of Surveyors; and (iii) the Investigation Report was prepared by a certified and experienced forestry survey team in the PRC, the Directors consider the valuation, basis and assumptions adopted by LCH in the valuation report of the Forestlands are fair and reasonable.

In particular, before Sheng Yuan obtains any licenses and approvals from relevant authorities on out planting, cutting, logging, transplanting or selling the biological assets in the Forestlands on piecemeal basis, the biological assets in the Forestlands has no separate commercial value from the Forestlands in theory as the biological assets cannot be exchanged or disposed of separately from the Forestlands. Based on the verbal discussions between the management of the Company with the local officials of State Forestry Administration and the advices from the PRC forestry experts of the Company, these licenses and approvals are obtainable under existing rules and policy. The Directors are not aware of any material legal impediment to the Group in obtaining these licenses and approvals.

Although these licenses and approvals are obtainable, they are not necessary for the Target Group to carry on the intended ecotourism and fruit businesses thus the Company does not have present plan to apply for them. The Directors will consider the application of these licenses and approvals after the Completion. In the event that these licenses and approvals are not obtainable, there should not be any material financial and business effect to the Enlarged Group since they are not necessary for the intended ecotourism and fruit businesses.

On 6 December 2012, through introduction by the Company, Sheng Yuan entered into a letter of intent (the "**Letter of Intent**") with Beijing Wangbaochuan Property Development Company Limited (北京旺寶川房地產開發有限公司, "**Beijing Wangbaochuan**"), a Beijing-based medium size property developer which is experienced in similar forest land projects, for a joint development project of holiday resort in the Forestlands. Pursuant to the Letter of Intent, the holiday resort project will consist of approximately 600 blocks of villa. Beijing Wangbaochuan will fund all of the construction and development costs while Sheng Yuan will provide the land, which is situated in the Forestlands. It is intended that Sheng Yuan and Beijing Wangbaochuan will share the gross floor area of the completed holiday resort in the percentage of 30% and 70%. Following Completion, application(s) has to be made to relevant government authority for the development of ecotourism business, including but not limited to, the aforementioned project.

FINANCIAL INFORMATION OF THE TARGET GROUP

As a result of the disposal of Mao Yuan, all the accounting records and the underlying supporting documents of Mao Yuan have been transferred to the new owner. The director of Global Castle was unable to obtain the financial information of Mao Yuan and therefore the results and the financial positions of Mao Yuan were excluded from the financial information of the Target Group. Under HKAS 27 "Consolidated and Separate Financial Statements", consolidated financial statements shall include all subsidiaries of a parent. All results and financial position of Mao Yuan are therefore required to be included in the financial information of the Target Group. Owing to a lack of information, it is not practicable to quantify the effects of the departure from HKAS 27. As a result, the reporting accountants of the Target Group issued a disclaimed opinion in respect of the financial information of the Target Group.

Subject to the aforementioned disclaimer opinion of the reporting accountant in relation to the non-inclusion of the results and financial positions of Mao Yuan from the financial information of the Target Group, the following financial information is based on the audited consolidated financial statements of the Target Group for the period from 28 January 2011 (being the date of incorporation of Global Castle) to 31 December 2011 and for the year ended 31 December 2012 prepared in accordance with the HKFRS:

Income statement	**Period from 28 January 2011 to 31 December 2011**	**For the year ended 31 December 2012**
	HK$'000	*HK$'000*
Turnover	–	–
Loss before taxation	2,038	2,182
Loss after taxation	2,038	2,182

Statements of financial position	As at 31 December 2011	31 December 2012
	HK$'000	*HK$'000*
Total assets	10,009	60,481
Total liabilities	12,015	63,359
Net liabilities	2,006	2,878

During the period from 28 January 2011 (date of incorporation of Global Castle) to 31 December 2012, the Target Group had not carried on any business activities other than obtaining the Forest Rights Certificates for the Forestlands and establishing Billion Vision, Sheng Yuan and Mao Yuan in relation to the period from 30 January 2011 to 12 September 2012 on which date Mao Yuan was disposed of by Sheng Yuan. As such, the Target Group did not generate any revenue from the Forestlands and recorded an audited net loss of approximately HK$4.22 million during this period.

As Mao Yuan was disposed of by Sheng Yuan prior to the Acquisition, owing to the lack of information, it is not practicable to quantify the financial effects of the disposal of Mao Yuan to the Target Group and the Directors are of the view that such financial effects would not be relevant as the Company has no intention to acquire Mao Yuan as part of the Target Group. It is noted from the financial statements of the Target Group that the Target Group has recognised the write-off of investment in and amount due from Mao Yuan of approximately HK$369,000 and HK$50,000 for the period from 28 January 2011 to 31 December 2011 and for the year ended 31 December 2012 respectively.

Shareholders should read the above information in conjunction with the accountants' report as set out in Appendix II to this circular containing further financial information on the Target Group.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, members of the Target Group will become indirect wholly-owned subsidiaries of the Company. The results, assets and liabilities will be consolidated with those of the Group.

Set out in Appendix III to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition on the assets and liabilities of the Group assuming Completion had taken place on 30 September 2012. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 18.7% from approximately HK$1,052 million to approximately HK$1,249 million and its total liabilities would increase approximately 523.7% from approximately HK$38 million to approximately HK$237 million.

According to the accountants' report on the Target Group as set out in Appendix II to this circular, the Target Group recorded a net loss attributable to owners of the company of approximately HK$2.2 million for the year ended 31 December 2012. The Acquisition will lead to a decrease on the Group's earning.

After completion of the Acquisition, the Company will account for the Forestlands as three separate assets, namely the favourable lease asset, the prepaid lease payment under operating leases and the biological assets, in accordance with HKFRSs. The favourable lease asset (being the fair value over the carrying amount of prepaid lease payments as at acquisition date) and the prepaid lease payments under operating leases represent the total value of the forest lands and the biological assets represent the value of the forest crops. The following accounting policies on favourable lease asset, prepaid land lease payments under operating leases and biological assets will be applied in accordance with HKFRS:

"Favourable lease asset

Favourable lease asset is recognised when the terms of the operating lease are favourable relative to market terms, in accordance with HKFRS 3 "Business Combinations". Favourable least asset is recognised as intangible asset and amortised on the straight-line basis over the remaining lease terms

Prepaid land lease payments under operating leases

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Biological assets

Under HKFRS 3 "Business Combinations", the Group shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. Upon Completion, the biological assets shall be measured at fair value at that date. Subsequent to the Completion, the Group shall measure biological assets at fair value according to HKAS 41 "Agriculture", that biological assets are measured at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in fair value less costs to sell of the biological assets is recognised in profit or less in the period in which it arises. If the market-determined prices or values of biological assets are still not available and the alternative estimates of fair values of biological assets are determined to be clearly unreliable subsequent to completion, in that case, the biological assets shall be measured at deemed cost being the fair value at acquisition date less accumulated depreciation and any accumulated impairment losses."

VALUATION REPORT OF BIOLOGICAL ASSETS FOR FINANCIAL REPORTING PURPOSE

A valuation report on the biological assets in the Forestlands has been conducted by LCH as set out in Appendix V to this circular. The possible fair value of the biological assets is prepared for financial reporting purpose only which enable the Company to apportion the value of the biological assets from the reported market value of the Forestlands separately as at the valuation date for the Company's financial reporting purpose.

Sales comparison approach was applied for the valuation of the biological assets. The estimated quantity of trees was derived from reported tree density and site area occupied by the four major tree species mentioned in the Investigation Report. The Investigation Report has not involved a physical counting on the actual number of fruit trees in the entire Forestlands which is not the purpose of the Investigation Report.

Although some areas of the Forestlands are physically inaccessible, a limited scope visual sampling inspection was conducted by LCH mainly for the subject Forestlands. During the course of the inspection, LCH has checked to the existence of difference major species of tree as mentioned in the Investigation Report as part of an inspection procedure to the improvement on the subject Forestlands. No physical counting or stock take or condition survey on the quantity of trees was involved during the inspection of LCH.

The valuation report is subject to the special assumptions that the biological assets in the Forestlands can be sold in an active market as set out in the paragraph headed "Special Assumptions" in the valuation report. The Directors have taken the position that the commercial value of the biological assets is not material to the Acquisition as a whole. After taking into consideration (i) the valuation report of the biological assets in the Forestlands prepared for financial reporting purpose only and does not form part of the basis for the Board's recommendation for the Acquisition; (ii) the valuation report of the biological assets has been prepared in accordance with the guidelines set by the International Valuation Standards 2011 published by the International Valuation Standards Council; (iii) the licenses and approvals for out planting, cutting, logging, transplanting or selling the biological assets in the Forestlands on piecemeal basis are obtainable under existing policies and rules; and (iv) the number of each trees species was estimated by the data in the Investigation Report prepared by a certified and experienced forestry survey team in the PRC and the market price for each tree species was taken from LCH's on-site research and interview, official construction cost journals, local practitioners, and forestry products industry information in China from various websites in the public domain subject to the adopted special assumptions, the Directors consider that the possible fair value of the biological assets, the basis and assumptions (including the special assumptions) adopted by LCH in the valuation report of the biological assets as set out in Appendix V to this circular are fair and reasonable.

In fact, the Target Group has not yet obtained the licenses and approvals on out planting, cutting, logging, transplanting or selling the biological assets in the Forestlands on a piecemeal basis as at the Latest Practicable Date. The biological assets cannot be exchanged separately from the Forestlands thus there was no commercial value on the biological assets as at the date of initial recognition, 31 December 2011 and 31 December 2012 without the aforementioned special assumptions.

In addition, alternative estimates of fair value of the biological assets, such as income approach or cost approach as advised by LCH, could not determine a clearly reliable fair value of the biological assets. Accordingly, under HKAS 41 "Agriculture", the presumption that the fair value of the biological assets can be measured reliably is rebutted. Biological assets are therefore stated at cost less accumulated depreciation and any accumulated impairment losses in the consolidated statements of financial position of the Target Group as at 31 December 2011 and 31 December 2012.

As a result, the Target Group applied the fair value proportion with reference to the valuation of the biological assets performed by LCH to allocate the aggregate of consideration and its associated initial costs paid to acquire the Forestlands use rights into the cost of prepaid lease payments in respect of the land portion and the cost of the biological assets, provided that the fair values of the relevant biological assets are determined under the aforementioned special assumptions.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, money-lending business and operation of Chinese medicine clinic.

As discussed in the section of "Chairman's Statement & Management Discussion and Analysis" in the 2012 annual report of the Company, the Board expects the coming fiscal year to be challenging and the market condition is expected to slow down as compared to the previous year. The management of the Group is taking a cautious approach in its future growth and will diversify its existing business portfolio into other business with good prospects.

In the PRC, the general perception of natural living life style has been influencing the consumers market and ecotourism has become a new trend. According to the definition of ecotourism established by The International Ecotourism Society, ecotourism is responsible travel to natural areas that conserves the environment and improves the well-being of local people. The Board considers that the Acquisition not only is in line with the aforesaid diversification approach of the Group, but also provides the Group with an opportunity to capture the benefits from the trend of ecotourism in the PRC.

It is the view of the Board that the Forestlands are geographically and ecologically favourable for furtherance of the development of the business of the Group under the above strategy. The Forestlands are located in Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province of the PRC. There are two famous scenic spots in the vicinity of the Forestlands, namely, Zushan Scenic Spot (祖山風景區) and Yangshan Cave (陽山洞), which are both very close to the Forestlands. Zushan Scenic Spot is classified by China National Tourism Administration as 4A Grade Tourism District. In addition, based on the Forest Rights Certificates of Sheng Yuan, the projected area (投影面積) of the Forestlands, which is a two-dimensional area measurement of the Forestlands, is 63,035.29 mu. Pursuant to the Forest Rights Certificate, the actual land area (實際展開面積) of the Forestlands should be in a ratio of 1:5 of the projected area and become 315,176.45 mu. According to the Investigation Report, approximately 64.4% of the Forestlands' projected area is planted with fruit trees, including apricot trees, hawthorn trees, chestnut trees and pear trees. Given the trend of urbanisation and reducing forest lands in the PRC, the Board considers that the Acquisition provides the Group with a rare investment opportunity to acquire such large size forest lands in the PRC. The Company believes that the Acquisition is in line with the national policy as promulgated in the Report of the 18th National Congress of the Communist Party of China, which emphasised the promotion of the development of, among others, Chinese way of urbanisation and agricultural modernisation. The Directors believe that this national policy will help boost the market value of rural lands and is favourable to the ecotourism business model of Sheng Yuan, which partly capitalises on the use of agricultural resources, in the event it is successfully carried out and the value of the Forestlands, as a result, will have a great potential to appreciate in the long term.

In view of the above, the Board has the intention to develop ecotourism business over the Forestlands. The Directors are contemplating business plans in that regard. According to 林資發【2003】139號 (國家林業局關於印發《佔用征用林地審核審批管理規範》的通知) promulgated by the State Forestry Administration of the PRC, medium to mega size construction projects have to be approved by the State Forestry Administration with feasibility study and preliminary design. Three percent of the forest land can be used for self-built houses or office. It is the preliminary plan of the Group to develop its ecotourism business by building a holiday resort in the Forestlands together with tourists' facilities for accommodation and as tourist spots. The holiday resort project, which will be jointly developed by Sheng Yuan and Beijing Wangbaochuan as provided in the Letter of Intent, will consist of constructing approximately 600 blocks of villa in the Forestlands. At present, other than operating the villas as a resort, the Group has no further plan on the operation of the villa. The Group is also discussing with relevant parties for possible development of a branch of a reputable monastery and a martial art school in the Forestlands. The Group will have primary concern to cause minimum detrimental impact on the natural environment of the Forestlands.

The management of the Company has approached the local government officials regarding the contemplating development plan on the Forestlands. The local government officials has been supportive of the Company's position. The Company is confident in obtaining the approval to develop the intended ecotourism business in the Forestlands. Following Completion, the Company will make application(s) to relevant government authority for the development of ecotourism business and construction of villas and other properties/facilities in the Forestlands which is well within the threshold under 林資發【2003】139號 (國家林業局關於印發《佔用征用林地審核審批管理規範》的通知). The management of the Company, together with its joint venture partners, if any, will schedule further meetings with the local government officials to ascertain the details of the contemplating business plans and also ensure its application meet the legal requirements as well as their policies in every aspect. No significant additional cost will be borne by the Enlarged Group after the Completion to apply for the development of the intended ecotourism business in the Forestlands. All additional cost of the holiday resort project, including but not limited to the construction cost, will be borne by Beijing Wangbaochuan pursuant to the Letter of Intent. Save as disclosed above, the Company does not have further details on the development plan of the ecotourism business as at the Latest Practicable Date.

Following Completion, the Directors will put in place more details of the development plan with Beijing Wangbaochuan and formalise the necessary implementation actions for the construction of the villas and properties and to obtain all required approvals. Having also considered the Group's experience and expertise in the property related investments, the Directors believe that should the above business plans for ecotourism materialise, the return to the Group will be attractive. The Company is prepared to try its best to accommodate the governmental officials' comments on the development plan of ecotourism business and, where appropriate, resubmit the application to address their comments, if any, arising during the application process. In the unlikely event that the approval is not granted eventually, the Company would still be entitled to turn to other business models for the Forestlands, including but not limited to, planting of organic agricultural products, in the same way as it manages the other resources of the Company. The Directors consider that the Acquisition will bring benefits and make positive contribution to the earnings of the Enlarged Group in the long run but the quantification of such contribution will depend on the future performance of the Target Group.

The Forestlands cover an area of 63,035.29 mu, of which 39,524.21 mu is planted with various fruit trees, including apricot trees, hawthorn trees and chestnut trees. The Acquisition thus also provides the Group with opportunity to tap into the fruit business. The Directors consider that the fruit business model is generally simple, which can be summarised into three steps: (i) management of forest base; (ii) cultivation and production of fruits; and (iii) sale of fruits. Riding on this simplicity, the Directors intend to carry on the fruit business following Completion as part of the plan for the Group to achieve the intended ecotourism. The Group is prepared to recruit full-time and part-time workers from local villagers to harvest the fruits produced from fruit trees in the Forestlands. Salary will be paid to these local villagers thus their living standards and well-being can be improved with stable income. In order to enhance the attractiveness of the Forestlands as a preferred tourism destination, the Group will continue to enhance the quality and quantity of fruit trees in the Forestlands after the Completion to embellish the Forestlands and its ecology and attractiveness. Other than this objective, the Group currently has no further development plan on the fruit business. The Directors believe that the fruit business will generate stable but not attractive return before the ecotourism business starts to produce recurring sustainable income.

The management of the Company is discussing with the local government officials regarding the development plan on the Forestlands. The Board, being well aware of the fact that the enhancement of the general economy and administration environment of the Qinglong Manchu Autonomous County is also a key factor to the Group's ecotourism business, believes that it is advantageous for the Group to have regular discussions and consultations with local government officials after the Completion and to develop and work out the details of the development plans optimal for its ecotourism business in this locality. Since the fruit business would contribute to the local economy and the well-being of local people as local villagers will be hired and paid for harvesting the fruits produced from fruit trees in the Forestlands, the Directors believe that it will be favorable to the prospects of securing the support from local government officials by taking fruit business as part of the plan for the Group to achieve the intended ecotourism business. The Company will at the same time closely monitor and review the fruit business following the Completion and in the event that the fruit business is no longer economically or financially beneficial to the Target Group in the long run, the Group may consider its options including but not limited to terminating the fruit business in order to safe guard the interest of the Company and its Shareholders as a whole.

In connection with this investment, the Group is engaging two consultants to assist the Company in managing the Forestlands and optimising the quality and quantity of fruit trees in the Forestlands once the Acquisition is approved by the Shareholders and completed. Both consultants are experienced in forestry and agricultural management in the PRC. One of them is currently a professor at the School of Forestry Cadres of the State Forestry Administration of the PRC (國家林業局管理幹部學院) and has been engaged by state-owned engineering consulting firm as an expert to give advice on national and provincial ecological construction and forestry development projects. The other consultant was the dean of a provincial Academy of Agricultural Sciences (農業科學院) and promoted the development of fruit tree species research during his term of office.

At the present moment, the Company has no intention to appoint any person to the board of directors of Global Castle and its subsidiaries as a result of the Acquisition. The Board will monitor progress of development and performance of the Target Group regularly.

Having considered the aforesaid factors, the Directors consider that the terms of the Acquisition are fair and reasonable and the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

BRIEF INDUSTRY REVIEW

Ecotourism in the PRC

Ecotourism is a growing and yet less-developed market in the PRC. The industry is generally encouraged by the PRC government. National Tourism Administration of the PRC (the "**CNTA**"), the agency affiliated to the State Council that in charge of tourism affairs in the PRC, has promoted ecotourism nationwide. CNTA named tourism theme of 2009 as the "Year of Ecotourism" (中國生態旅遊年), whose objectives were to go into green tourism and experience ecological civilisation. Eco-tours became more popular and related activities mushroomed since then.

According to the survey on the development status of the ecotourism in the PRC (全國生態旅遊發展現狀調查) released by Ministry of Environmental Protection of the PRC and CNTA in December 2010, the ecotourism development in the PRC has achieved remarkable progress in recent years. The ecotourism market continues to expand, and a variety of destinations including natural reserves, forest, geological and wetland parks and scenic spots have been set up under the ecotourism system.

As the economy continues to grow and disposable income keeps increasing, people's interest in tourism will become more diversified and high-end oriented, the Directors believe that the future of ecotourism in the PRC is positive.

Property market in the PRC

As a result of the rapid economic development and strong disposable income growth, the PRC real estate market has been developing quickly.

In recent years, reining in property prices and curbing property speculation have been one of the usual agenda when introducing PRC government policies. The State Council issued several circulars and notices in relation to the real estate market, including the "Circular on Promoting the Stable and Sound Development of the Real Estate Market" (關於促進房地產市場平穩健康發展的通知) published in January 2010, the"Notice on Resolutely Curbing the Soaring of Property Price in Certain Cities" (關於堅決遏制部分城市房價過快上漲的通知) in April 2010, and the "Notice on Issues Relating to Further Regulating the Property Market" (關於進一步做好房地產市場調控工作有關問題的通知) in January 2011. Accordingly, the Directors are of the view that the property market, with the involvement of the government, will maintain stable and healthy development.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to reporting, announcement and the Shareholders' approval requirements.

SGM

The SGM will be convened by the Company at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Thursday, 28 March 2013 for the purposes of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder. An ordinary resolution set out in the notice of SGM at the end of this circular will be put to vote by the Shareholders at the SGM. Poll will be taken on all votes cast at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has direct or indirect material interest in the Acquisition and accordingly, no Shareholder is required to abstain from voting on the resolution regarding the Acquisition Agreement and the transactions contemplated thereunder.

The notice of SGM is set out at the end of this circular. A proxy form for use at the SGM is enclosed with this circular. If you are not able to attend the SGM, you are requested to complete and return the form of proxy for the SGM enclosed with this circular in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at 29/F., China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement have been negotiated on an arm's length basis and are on normal commercial terms which are fair and reasonable and the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board would recommend that the Shareholders vote in favour of the ordinary resolution to approve the same at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

* *For identification purpose only*

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 MARCH 2012, 2011 AND 2010

The audited consolidated financial statements of the Group for the years ended 31 March 2012, 2011 and 2010 together with the relevant notes thereto are set out in pages 27 to 122 of the annual report of the Company for the year ended 31 March 2012, pages 27 to 122 of the annual report of the Company for the year ended 31 March 2011 and pages 27 to 122 of the annual report of the Company for the year ended 31 March 2010, which are specifically incorporated by reference in, and form part of, this circular.

The said annual reports of the Company are available on the Company's website at www.heritage.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 AND 2011

The unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2012 and 2011 together with the relevant notes thereto can be found from pages 4 to 28 of the interim report of the Company for the six months ended 30 September 2012 and pages 4 to 21 of the interim report of the Company for the six months ended 30 September 2011.

The said interim reports of the Company are available on the Company's website at www.heritage.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

3. MATERIAL ACQUISITIONS SINCE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 March 2012 (being the date to which the latest published audited accounts of the Company have been made up), the Group has entered into two material acquisitions subsequently.

(1) Acquisition of shares of Hao Tian Resources Group Limited ("**HT**", together with its subsidiaries, the "**HT Group**")

On 21 March 2012, the Group, through Chung Nam Securities Limited ("**Chung Nam**"), completed the acquisition of 300 million shares of HT off the Stock Exchange at HK$0.275 per share. Together with the 100 million shares of HT subscribed by the Group earlier during the placing of shares by HT in March 2012 at HK$0.325 per share, the Group together acquired 400 million shares of HT in total, representing approximately 10.18% of the entire issued share capital of HT as at 22 May 2012 (the latest practicable date of the circular in relation to the aforesaid acquisition).

The aggregate consideration for the acquisition of HK$115 million was paid to Chung Nam in cash on settlement thereof and was funded by internal resources of the Group.

HT is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 474). HT Group is principally engaged in the mining, washing and marketing of coking coal in the PRC.

For details of the acquisition of HT, please refer to the circular of the Company dated 25 May 2012.

(2) Acquisition of Richful Zone International Limited ("**Richful Zone**", together with its subsidiaries, "**Richful Zone Group**")

On 8 June 2012, Profit Garden Global Limited ("**Profit Garden**"), an indirect wholly-owned subsidiary of the Company, and the vendor entered into an acquisition agreement, pursuant to which Profit Garden conditionally agreed to acquire and the vendor conditionally agreed to sell the entire issued share capital of Richful Zone, together with a sale loan due from Richful Zone Group amounted to HK$15,288 as at 31 December 2011.

The consideration of HK$50 million was paid to the vendor in cash at upon completion and was funded by internal resources of the Group and the placement of Shares as disclosed in the Company's announcement dated 7 September 2012.

Richful Zone is a company incorporated in BVI. Richful Zone owns the entire issued share capital of Allied Loyal International Investments Limited ("**Allied Loyal**"). Besides the interest in Allied Loyal, Richful Zone has no other major assets or business.

Allied Loyal is an investment holding company incorporated in BVI whose principal asset is the 50% interest in the concession rights and interests of three parcels of forestry site located in Simao District, Puer City, Yunnan Province, the PRC with total site area of approximately 36,737 mu.

For details of the acquisition of Richful Zone, please refer to the announcements of the Company dated 8 June 2012 and 28 June 2012. Subsequently, Coupeville Limited (a direct wholly-owned subsidiary of the Company) and Quinella International Incorporated (an independent third party to the Company and its connected person) entered into a conditional agreement on 7 January 2013 in relation to the disposal of Profit Garden and its subsidiaries (including Richful Zone Group) at a consideration of HK$50 million.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors and the directors of Profit Garden will not be varied in consequence of the abovementioned two acquisitions.

4. INDEBTEDNESS

Borrowings

At the close of business on 31 January 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Enlarged Group had total outstanding borrowings of approximately HK$96,641,000, comprising i) secured bank borrowings of approximately HK$33,280,000; ii) amount due to the Vendor of approximately HK$62,898,000 which is unsecured and interest-free; and iii) amount due to an independent third party of approximately HK$463,000 which is unsecured and interest-free.

The bank borrowings of the Enlarged Group are secured by the first charge over the Group's investment property and owner-occupied property of aggregate carrying amounts of approximately HK$129,108,000 as of 31 January 2013.

Contingent liabilities

At the close of business on 31 January 2013, the Group had no material contingent liabilities.

Disclaimers

Save as aforesaid or otherwise disclose herein and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptances credit, finance leases or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 January 2013.

5. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present internal financial resources of the Group and the available banking facilities, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements, that is, for at least twelve months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

Save for the Group's loss of approximately HK$90.3 million for the six months ended 30 September 2012 as disclosed in the Company's 2012 interim report, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2012, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. REVIEW OF OPERATIONS AND PROSPECTS

For the year ended 31 March 2012 and the six months ended 30 September 2012, the Group made losses before tax of approximately HK$369 million and HK$90.3 million, respectively. The losses were mainly attributable to loss on sale of investments at fair value through profit or loss and fair value losses arisen from equity investments at fair value through profit or loss.

Performance of the Group's major businesses for the six months ended 30 September 2012 is summarised below:

a) Real estate investments

The Group owned certain commercial properties and a luxury residential property in Hong Kong. With the increase in property prices in Hong Kong the Group's property portfolio appreciated in value. The gain arising from changes in fair value amounted to HK$5.3 million during the six months period end. The value of the Group's property investments amounted to HK$111.4 million as at 30 September 2012.

b) Investments in listed securities

The Group's securities portfolio has generated a gain on sale of investments at fair value through profit or loss of approximately HK$14.2 million for the six months ended 30 September 2012. Due to prevailing volatile market conditions, the Group's securities portfolio has suffered from fair value losses on investments at fair value through profit or loss of approximately HK$98.5 million in the same period.

c) Money lending business

The Group's money lending business segment continued to generate a positive result for the period concerned benefited from a more cautious approach taken by the Company in its lending policy.

d) Chinese medicine clinic operation

The Group has established the Hon Chinese Medicine Clinic (the "Clinic") since 2011. Though the operation is yet to make a positive contribution to the Group due to keen competitions among other Chinese medicine clinics in the area, the management will dedicate more effort in promoting the Clinic to the general public in the vicinity. The management believes the turnover and return to the Group will steadily increase in the future.

e) Investment in forest interest in the PRC

As set out in the paragraphs headed "Material Acquisition Since Latest Published Audited Accounts" in this Appendix, on 8 June 2012, the Group entered into an agreement with an independent third party to acquire Richful Zone at a cash consideration of HK$50 million. The principal asset of Richful Zone is the 50% interest in the concession rights and interests in three parcels of forest land with a total site area of approximately 36,737 mu in the Yunnan Province of the PRC. This transaction was completed on 11 September 2012 and no profit was contributed to the Group from the investment since its acquisition.

As set out in the Company's 2012 interim report, economic disruption, including possible recession in the United States, the eurozone crisis and slowing growth in the PRC have taken a toll on the pace of global economic recovery. The coming months are expected to be tough and challenging and the management will continue to take a cautious approach in its future growth opportunity.

A. ACCOUNTANT'S REPORT

陳浩賢會計師事務所

GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

Rooms 3719 - 26, 37/F.,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

12 March 2013

The Board of Directors
Heritage International Holdings Limited

Dear Sirs,

We report on the financial information (the "**Financial Information**") of Global Castle Investments Limited ("**Global Castle**") and its subsidiaries (collectively refer to as the "**Target Group**"), which comprises the consolidated and Global Castle's statements of financial position as at 31 December 2011 and 31 December 2012, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 28 January 2011 (date of incorporation of Global Castle) to 31 December 2011 and for the year ended 31 December 2012 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of Heritage International Holdings Limited (the "**Company**") and is set out in Section B to D below for inclusion in the circular of the Company together with its subsidiaries (referred to as the "**Group**") dated 12 March 2013 (the "**Circular**") in connection with the Group's proposed acquisition of (i) the entire issued share capital of Global Castle; and (ii) the entire shareholder loan and other indebtedness due to Speedy Harvest Holdings Limited (the "**Vendor**") owed by the Target Group (the "**Acquisition**") pursuant to a sales and purchase agreement entered into between Equal Leader Limited, a wholly-owned subsidiary of the Company, and the Vendor dated 5 October 2012 as supplemented by a supplemental agreement dated 24 December 2012 (collectively refer to as the "**Acquisition Agreement**").

Global Castle was incorporated in the British Virgin Islands with limited liability on 28 January 2011 and is authorised to issue a maximum of 50,000 shares with a par value of United State Dollars ("**US$**") 1 each of a single class. Global Castle's registered office is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands and its principal place of business is 7/F., Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong. The principal activity of Global Castle is investment holding during the Relevant Periods and up to the date of this report.

As at the date of this report, Global Castle has the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised share capital/ registered capital	Issued and fully paid ordinary share capital/ paid-in capital	Effective interest held	Principal activities
Directly held:						
Billion Vision Investments Limited (“**Billion Vision**”)	Hong Kong	3 December 2010	Hong Kong Dollars (“**HK$**”) 10,000	HK$1	100%	Investment Holding
Indirectly held:						
盛源(天津)投資管理服務有限公司 (SHENGYUAN INVESTMENTS MANAGEMENT SERVICES (TIAN JIN) CO. LTD.) (“**Sheng Yuan**”)	People’s Republic of China (the “**PRC**”)	30 January 2011	HK$9,000,500	HK$9,000,500	100%	Forestry management

All companies in the Target Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared by Global Castle since the date of incorporation because there is no statutory requirement for Global Castle to prepare the audited financial statements under the relevant rules and regulations in its jurisdiction of incorporation. The statutory audited financial statements have not been prepared by Billion Vision since the date of incorporation up to the date of this report as the statutory audit of Billion Vision has not yet commenced. For the purpose of this report, we have reviewed relevant transactions of Global Castle and Billion Vision since their respective dates of incorporation to the date of this report and carried out procedures as we considered necessary for the inclusion in the Financial Information relating to these companies.

The statutory financial statements of Sheng Yuan for the period from 30 January 2011 (date of incorporation) to 31 December 2011 were prepared in accordance with relevant accounting principles and financial regulations in the PRC and were audited by 天津天授會計師事務所有限責任公司, which is a firm of certified public accountants registered in the PRC. No statutory financial statements of Sheng Yuan were prepared for the year ended 31 December 2012 as the statutory audit of Sheng Yuan has not yet commenced.

For the purpose of this report, the director of Global Castle has prepared the consolidated financial statements in accordance with the basis of preparation set out in Note 2 of Section C below and accounting policies set out in Note 4 of Section C below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) (the “**Underlying Financial Statements**”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountants” as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the director of Global Castle who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

Basis of disclaimer opinion in respect of the Financial Information

Deconsolidation of a subsidiary

As disclosed in Note 1 to Section C below, pursuant to a shareholder resolution dated 12 September 2012, a subsidiary of Global Castle, Sheng Yuan disposed of the entire paid-in capital of 青龍滿族自治縣茂源農業有限公司 (“**Mao Yuan**”) to a new owner. As a result of the disposal, all the accounting records and the underlying supporting documents of Mao Yuan have been transferred to the new owner. The director of Global Castle was unable to obtain the financial information of Mao Yuan and therefore the results and the financial positions of Mao Yuan for the Relevant Periods were excluded from the Financial Information. Under HKAS 27 “Consolidated and Separate Financial Statements” issued by HKICPA, consolidated financial statements shall include all subsidiaries of a parent. All results and financial position of Mao Yuan are therefore required to be included in the Financial Information. Owing to a lack of information, it is not practicable to quantify the effects of the departure from HKAS 27. Had the results and the financial position of Mao Yuan been included in the Financial Information, many elements of the Financial Information would have been materially affected.

Disclaimer opinion in respect of the Financial Information

Because of the significance of the matters described in the “basis of disclaimer opinion in respect of the Financial Information” paragraph above, for the purpose of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Financial Information.

B. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Note	Period from 28 January 2011 to 31 December 2011 *HK$*	Year ended 31 December 2012 *HK$*
Revenue	7	–	–
Bank interest income		818	3,819
Depreciation			
– property, plant and equipment		(11,970)	(56,028)
– biological assets, at cost		(83,069)	(118,419)
Amortisation of prepaid lease payments		(747,623)	(1,065,774)
Employee benefit expense		(371,651)	(22,834)
Write-off of investment in and amount due from a deconsolidated subsidiary	8	(368,700)	(49,640)
Exchange losses		(6,947)	(9,592)
Other expenses		(449,052)	(863,579)
Loss before tax	9	(2,038,194)	(2,182,047)
Income tax	10	–	–
Loss for the period/year attributable to owners of Global Castle		(2,038,194)	(2,182,047)

Details of dividend payable to owners of Global Castle are set out in Note 12.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Period from 28 January 2011 to 31 December 2011	Year ended 31 December 2012
	HK$	*HK$*
Loss for the period/year	(2,038,194)	(2,182,047)
Other comprehensive income:		
Exchange differences on translation of foreign operations	32,603	1,309,801
Other comprehensive income for the period/year, net of tax	32,603	1,309,801
Total comprehensive loss for the period/year, attributable to owners of Global Castle	(2,005,591)	(872,246)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2011 HK$	As at 31 December 2012 HK$
Non-current assets			
Property, plant and equipment	14	154,422	1,018,978
Prepaid lease payments – the Forestlands use rights	15	3,450,258	46,139,129
Biological assets, at costs	16	5,311,546	5,244,989
Total non-current assets		8,916,226	52,403,096
Current assets			
Prepayment and other receivables		12,572	3,167
Prepaid lease payments – the Forestlands use rights	15	1,055,468	1,065,774
Cash and cash equivalents		24,622	7,009,381
Total current assets		1,092,662	8,078,322
Current liabilities			
Transfer fee payable – biological assets	18	4,810,910	–
Accrued expenses and other payables		850,759	461,695
Due to former shareholders	19	6,352,802	–
Total current liabilities		12,014,471	461,695
Net current (liabilities)/assets		(10,921,809)	7,616,627
Total assets less current liabilities		(2,005,583)	60,019,723
Non-current liabilities			
Due to parent company	19	–	62,897,552
Net liabilities		(2,005,583)	(2,877,829)
Capital and reserves			
Issued capital	20	8	8
Deficiency		(2,005,591)	(2,877,837)
Total deficiency attributable to owner of Global Castle		(2,005,583)	(2,877,829)

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2011 HK$	As at 31 December 2012 HK$
Non-current assets			
Investment in a subsidiary	17	1	1
Due from a subsidiary	17	1,006,659	62,892,801
Total non-current assets		1,006,660	62,892,802
Current liabilities			
Due to former shareholders	19	1,006,652	–
Total assets less current liabilities		8	62,892,802
Non-current liabilities			
Due to parent company	19	–	62,897,552
Net assets/(liabilities)		8	(4,750)
Capital and reserves			
Issued capital	20	8	8
Deficiency		–	(4,758)
Total equity/(deficiency)		8	(4,750)

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

	Issued capital *HK$*	Exchange fluctuation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Loss for the period	–	–	(2,038,194)	(2,038,194)
Other comprehensive income for the period:				
Exchange differences on translation of foreign operations	–	32,603	–	32,603
Total comprehensive loss for the period	–	32,603	(2,038,194)	(2,005,591)
Issue of share capital	8	–	–	8
As at 31 December 2011	8	32,603	(2,038,194)	(2,005,583)
As at 1 January 2012	8	32,603	(2,038,194)	(2,005,583)
Loss for the year	–	–	(2,182,047)	(2,182,047)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	1,309,801	–	1,309,801
Total comprehensive loss for the year	–	1,309,801	(2,182,047)	(872,246)
As at 31 December 2012	8	1,342,404	(4,220,241)	(2,877,829)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 28 January 2011 to 31 December 2011	Year ended 31 December 2012
	HK$	*HK$*
Cash flows from operating activities		
Loss before tax	(2,038,194)	(2,182,047)
Adjustments for:		
Interest income	(818)	(3,819)
Depreciation and amortisation	842,662	1,240,221
Write-off of investment in and amount due from a deconsolidated subsidiary	368,700	49,640
	(827,650)	(896,005)
(Increase)/decrease in prepayment and other receivables	(12,572)	9,405
Increase/(decrease) in accrued expenses and other payables	20,001	(11,890)
Net cash flows used in operating activities	(820,221)	(898,490)
Cash flows from investing activities		
Payment for purchases of property, plant and equipment	(163,564)	(909,449)
Bank interest received	818	3,819
Capital expenditure allocated to lease prepayments	(5,098,613)	(43,262,960)
Capital expenditure allocated to biological assets	(566,513)	(4,806,996)
Capital contribution to a deconsolidated subsidiary	(359,550)	–
Amounts advanced to a deconsolidated subsidiary	–	(292,200)
Amounts repaid from a deconsolidated subsidiary	–	245,920
Net cash flows used in investing activities	(6,187,422)	(49,021,866)
Cash flows from financing activities		
Proceed from issue of share	8	–
Advance from a third-party lender	1,102,864	200,229
Repayment to a third-party lender	(272,106)	(577,403)
Advance from former shareholders	6,196,202	–
Advance from parent company	–	57,170,000
Net cash flows generated from financing activities	7,026,968	56,792,826
Net increase in cash and cash equivalents	19,325	6,872,470
Cash and cash equivalents at the beginning of the period/year	–	24,622
Effect of foreign exchange rate changes, net	5,297	112,289
Cash and cash equivalents at the end of the period/year	24,622	7,009,381
Analysis of balances of cash and cash equivalents		
Cash and bank balances	24,622	7,009,381

C. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND GROUP REORGANISATION

Global Castle Investments Limited ("**Global Castle**") was incorporated in the British Virgin Islands with limited liability on 28 January 2011 and its registered office and principal place of business are Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands and 7/F., Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong, respectively.

As of the date of incorporation of Billion Vision Investments Limited ("**Billion Vision**") on 3 December 2010, 1 new ordinary share of par value of HK$1 each was allotted and issued to an initial subscriber and was transferred to an individual, who was also a former director and former shareholder of Global Castle (the "**Former Shareholder A**") on 17 December 2010.

As of the date of incorporation of Global Castle on 28 January 2011, 1 new share of par value US$1 each (equivalent to approximately HK$8) was allotted and issued to the initial subscriber, being the Former Shareholder A.

On 30 January 2011, SHENGYUAN INVESTMENTS MANAGEMENT SERVICES (TIAN JIN) CO. LTD. ("**Sheng Yuan**") was established as a wholly foreign-owned subsidiary of Billion Vision with a registered capital of HK$1,000,000, which was fully injected by Billion Vision on 14 April 2011.

On 15 April 2011, the Former Shareholder A transferred 1 ordinary share of Billion Vision to Global Castle. As a result, Billion Vision became a wholly-owned subsidiary of Global Castle thereafter and there was no change in ultimate control of ultimate ownership interest of the entities comprising the Target Group as a result of this transaction.

Pursuant to a shareholder resolution of Sheng Yuan dated 6 May 2011 and a government approval on 10 May 2011, the registered capital of Sheng Yuan increased to HK$40,000,000. The unpaid capital is required to be fully paid up within 24 months after the issue of Sheng Yuan's renewed business licence under the revised memorandum and articles of association of Sheng Yuan.

On 23 May 2011, the Former Shareholder A transferred the 1 share of Global Castle to another company incorporated in British Virgin Islands (the "**Former Shareholder B**"). On the same day, Sheng Yuan injected Renminbi ("**RMB**") 300,000 (or equivalent to HK$359,550) to 青龍滿族自治縣茂源農業有限公司 ("**Mao Yuan**"), which represents 100% of the registered capital of Mao Yuan. As a result, on 25 May 2011, Mao Yuan was established in the PRC with limited liability and became a wholly-owned subsidiary of Sheng Yuan.

On 20 February 2012, the Former Shareholder B transferred 1 ordinary share of Global Castle to the Vendor, a company incorporated in British Virgin Islands with limited liability.

On 19 July 2012, Billion Vision further injected HK$8,000,500 to Sheng Yuan and the total paid-in capital was increased to HK$9,000,500.

Pursuant to a shareholder resolution in Mao Yuan on 12 September 2012, Sheng Yuan transferred all the paid-in capital of RMB300,000 (or equivalent to HK$359,550) of Mao Yuan to a new owner. The accounting records and the underlying supporting documents are also transferred to the new owner thereafter. The director of Global Castle was unable to obtain the financial information of Mao Yuan since the date of incorporation of Mao Yuan and the results and the financial position of Mao Yuan was not included in the Financial Information. As a result, for the purpose of this report, the Target Group excludes Mao Yuan. Details are set out in Note 8 below.

On 19 December 2012, Sheng Yuan obtained a government approval pursuant to which the registered capital of Sheng Yuan reduced from HK$40,000,000 to the total paid-in capital of Sheng Yuan, being HK$9,000,500.

As a result of the above-mentioned transactions and as at the date of the report, Global Castle's parent company is the Vendor. The director of Global Castle considered the Vendor to be the ultimate holding company of Global Castle.

The Target Group comprises Global Castle, Billion Vision and Sheng Yuan (excluding Mao Yuan) resulting from the group reorganisation is regarded as a continuing entity.

The Financial Information of the Target Group has been prepared on the basis as if Global Castle had always been the holding company of the Target Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combinations" issued by HKICPA. The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, or since the date when the Former Shareholder A obtains control over the entities, where is a shorter period.

The functional currency of Global Castle is RMB, which is also the functional currency of the operating subsidiaries of the Target Group. The Financial Information is presented in HK$ for the convenience of the shareholders of the Company, as the Company is listed in Hong Kong.

2. BASIS OF PREPARATION

As at 31 December 2011 and 2012, the Target Group's total liabilities exceeded its total assets by approximately HK$2,005,583 and HK$2,877,829 respectively. The Target Group has received an undertaking from the parent company of Global Castle and its beneficial owner that the parent company and its beneficial owner would provide financial assistance to the Target Group and would not call for repayment of any amount due to the parent company of Global Castle of HK$62,897,552 as at 31 December 2012 unless and until the Target Group is able to meet its financial obligations as they fall due. The director of Global Castle also considered that the fair value of the Forestlands, estimated by a professional valuer namely LCH(Asia-Pacific) Surveyors Limited ("**LCH**"), is RMB675,000,000 (or equivalent to HK$837,675,000) as at 31 December 2012. The fair value of the Forestlands far exceeds the aggregate carrying amounts of the Forestlands under prepaid lease payments – the Forestlands use rights and the biological assets, which have been set out in Note 15 and 16, respectively. Accordingly, the Financial Information has been prepared on a going concern basis.

3. NEW AND REVISED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

The HKICPA issued a number of new and revised Hong Kong Accounting Standards ("**HKASs**"), HKFRSs, amendments and interpretations (hereinafter collectively referred to as "**new and revised HKFRSs**") which are effectively for the Target Group's financial period beginning on or after 1 January 2012. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has adopted all these new and revised HKFRSs and other existing HKFRSs consistently throughout the Relevant Periods.

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

HKFRSs (Amendments)	Annual improvements 2009 – 2011 Cycle [2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (Revised in 2011)	Employee Benefits [2]
HKAS 27 (Revised in 2011)	Separate Financial Statements [2]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures [2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [3]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 9	Financial Instruments [4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosures of Interests in Other Entities [2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance [2]
HKFRS 13	Fair Value Measurement [2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" require the Target Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Under HKFRS 9 "Financial Instruments", financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 "Consolidated Financial Statements" replaces all of the guidance on control and consolidation in HKAS 27 "Consolidated and Separate Financial Statements", and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKAS 27 is renamed "Separate Financial Statements"; it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged. HKFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances.

HKFRS 12 "Disclosures of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities. This new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

HKFRS 13 "Fair Value Measurement" improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The Target Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application. The director of Global Castle has not yet performed a detailed analysis of the impact of the application of these standards and hence has not yet quantified the extent of the impact.

4. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by HKICPA. In addition, the Financial Information includes applicable disclosure requirements by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Hong Kong Companies Ordinance. The HKICPA has issued a number of new and revised HKFRSs.

The Financial Information has been prepared under the historical cost basis. Non-current assets and disposal group classified as held for sales are stated at the lower of carrying amount and fair value less cost to sell.

The principal accounting policies are set out below.

(a) Basis of consolidation

The Financial Information incorporates the financial information of the entities now comprising the Target Group. Control is achieved where Global Castle has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial information of subsidiaries of Global Castle to bring their accounting policies into line with those used by other members of the Target Group.

All intra-group transactions, balances, income and expenses between group entities are eliminated on consolidation.

Investment in a subsidiary included in Global Castle's statement of financial position at cost less accumulated impairment losses, if any. The results of subsidiary are accounted for by Global Castle on the basis of dividends received and receivables.

(b) Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses 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/liabilities 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 income statements and the consolidated statements of other comprehensive income includes the results and other comprehensive income 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 common control, where this is a shorter period, regardless of the date of the common control combination.

(c) Non-current assets and disposal group classified as held for sale

Non-current assets and disposal group are classified as held for sales if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or the disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group). A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Target Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Target Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal group classified as held for sale are measured at the lower of their previous carrying amounts and fair values less costs to sell.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates of furniture, fixture and office equipment and motor vehicle used for this purpose ranged from 10% to 20% and 20%, respectively.

Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statements.

(e) Prepaid lease payments – the Forestlands use rights

Prepaid lease payments represent the amount allocated as land portion from the aggregate of consideration and its associated initial costs paid to acquire the Forestlands use rights under operating leases. The Forestlands use rights are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to profit or loss on a straight-line basis over the lease terms.

(f) Biological assets

Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands on which the Target Group undertakes agricultural activities to cultivate the fruit trees to produce various fruits as agricultural produce for sale. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period and the gain or loss arising from the changes in fair value less costs to sell of the biological assets is recognised in profit or loss in the period in which it arises.

If the market-determined prices or values of biological assets are not available and the alternative estimates of fair values of biological assets are determined to be clearly unreliable at this stage or in case at initial recognition, the biological assets shall be measured at cost less accumulated depreciation and any accumulated impairment losses. Once the fair values of such biological assets become reliably measurable, they shall be measured at their fair value less costs to sell.

(g) Impairment of non-financial assets

At end of each 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). Where 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. Where 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 to sell 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

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

(h) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when the Target Group has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

The Target Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the issuer or counterparty; or
– breach of contract, such as default or delinquency in interest or principal payments;
– 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 loans and receivables, an impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Target Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

Equity instruments

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(i) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and short-term bank deposits with an original maturity period of three months or less.

(j) Income tax

Income tax comprises current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement 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 substantially enacted by the end of reporting period.

Deferred tax is recognised on 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, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which 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 accounting profit nor the taxable profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(k) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the Financial Information, assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the Relevant Periods, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(l) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

(iii) both entities are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 4 of Section C above, the management 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 underlying assumptions are based on past experience, expectations of the future 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

(a) Measurement of the biological assets

As disclosed in Note 16 below, owing to the inability to measure the fair values of the biological assets at initial recognition, the presumption that the fair value of the biological assets can be measured reliably is rebutted. Biological assets are therefore stated at cost less accumulated depreciation and any accumulated impairment losses in the consolidated statements of financial position as at 31 December 2011 and 2012. The sole director of Global Castle will collect information when circumstances being practicable and ascertain whether fair values of the biological assets could be determined. Once the fair values of the biological assets become reliably measured, the Target Group shall measure the biological assets at fair value less costs to sell until disposal.

(b) Estimated useful lives of the Forestlands and the biological assets

The Target Group determines the estimated useful lives of the Forestlands and the biological assets and the corresponding amortisation charges of prepaid lease payments and depreciation charges of biological assets. Amortisation and depreciation are charged to profit or loss on a straight-line basis. These estimates are based on the lease periods of the forest right certificates issued by the Forest Bureau of Qinglong Manchu Autonomous County ("**Qinglong**") from 10 February 2011 to 11 February 2057. The Target Group will increase amortisation charge of prepaid lease payments and depreciation charges of biological assets where useful lives of the Forestlands and the biological assets are less than previously estimated lives. Actual economic lives may differ from the estimated useful lives. Periodic review could result in a change in amortisable and depreciable lives and therefore the amortisation charge and the depreciation charge in the future periods.

(c) Estimated impairment loss of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Such assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Target Group's and Global Castle's financial assets and liabilities as at the end of reporting periods are as follows:

Financial assets

	The Target Group		**Global Castle**	
	As at 31 December 2011	**As at 31 December 2012**	**As at 31 December 2011**	**As at 31 December 2012**
	HK$	*HK$*	*HK$*	*HK$*
Loans and receivables:				
Due from a subsidiary	–	–	1,006,659	62,892,801
Other receivables	–	3,167	–	–
Cash and cash equivalents	24,622	7,009,381	–	–
	24,622	7,012,548	1,006,659	62,892,801

Financial liabilities

	The Target Group		Global Castle	
	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities at amortised costs:				
Transfer fee payable – biological assets	4,810,910	–	–	–
Accrued expenses and other payables	850,759	461,695	–	–
Due to former shareholders	6,352,802	–	1,006,652	–
Due to parent company	–	62,897,552	–	62,897,552
	12,014,471	63,359,247	1,006,652	62,897,552

(b) Financial risk management

The Target Group's major financial instruments include cash and cash equivalents, accrued expenses and other payables, and amounts due to former shareholders and parent company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The director of Global Castle manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Currency risk arises when recognised assets and liabilities are denominated in currencies other than functional currency of the Target Group's entities to which they related. The Target Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Target Group is exposed to currency risk mainly arising from its bank balances and the amounts due to former shareholders and parent company denominated in HK$, which expose the Target Group to currency risk.

The Target Group and Global Castle currently do not have a foreign currency hedging policy. However, the director of Global Castle will monitor foreign exchange exposure closely and consider the use of hedging instruments should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to currency risk arising from HK$ at the end of the reporting period. The analysis prepared assuming the amount of bank balances and the amounts due to former shareholders and parent company outstanding at the end of the reporting period was outstanding for a whole year. 5% is the sensitivity rate used represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

If HK$ had strengthening/weakened by 5% against RMB with all other variables held constant, the Target Group's post-tax loss for the period/year ended 31 December 2011 and 2012 would have decreased/increased by approximately HK$50,000 and HK$2,820,000 respectively, and the deficiency for the period/year ended 31 December 2011 and 2012 would have decreased/increased by approximately HK$50,000 and HK$76,000 respectively.

(ii) *Interest rate risk*

The Target Group's bank balances maintained in the PRC carry interest at floating rates and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate bank balances. The analysis is prepared assuming the amount of bank balances outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates.

For the year ended 31 December 2012, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Target Group's post-tax loss would have decreased/ increased by approximately HK$52,000. No sensitivity analysis is performed for the period ended 31 December 2011 as the Target Group has insignificant bank balances as at 31 December 2011.

(iii) *Credit risk*

As at 31 December 2011 and 2012, the Target Group's maximum exposure to credit risk, which will cause a financial loss to the Target Group due to the failure to perform an obligation by the counterparties are the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

The director of Global Castle considers the credit risk is minimal as the Target Group's bank balances are held in a major financial institution of high credit rating located in the PRC.

(iv) *Liquidity risk*

As at 31 December 2011 and 2012, the Target Group's total liabilities exceeded its total assets by approximately HK$2,005,583 and HK$2,877,829 respectively. The maintenance of Global Castle and the Target Group as a going concern is set out in Note 2 above.

In the management of the liquidity risk, the Target Group monitor and maintain a level of bank balances and cash deemed adequate by the management to finance the operations of the Target Group and mitigate the effects of fluctuations in cash flows. The management monitors the liquidity requirements from time to time.

The table below analyses the Target Group's financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2011

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within one year or on demand *HK$*	Over one year *HK$*
The Target Group:				
Transfer fee payable – biological assets	4,810,910	4,810,910	4,810,910	–
Accrued expenses and other payables	850,759	850,759	850,759	–
Due to former shareholders	6,352,802	6,352,802	6,352,802	–
	12,014,471	12,014,471	12,014,471	–
Global Castle:				
Due to former shareholders	1,006,652	1,006,652	1,006,652	–

As at 31 December 2012

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within one year or on demand *HK$*	Over one year *HK$*
The Target Group:				
Accrued expenses and other payables	461,695	461,695	461,695	–
Due to parent company	62,897,552	62,897,552	–	62,897,552
	63,359,247	63,359,247	461,695	62,897,552
Global Castle:				
Due to parent company	62,897,552	62,897,552	–	62,897,552

(v) Natural risk

The Target Group's agricultural produce and the growth of fruit trees in the Forestlands may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of fruits available for harvesting, or otherwise impede the Target Group's agricultural operations or the growth of the fruit trees in the Forestlands.

(vi) Supply and demand risks

The Target Group is exposed to risks arising from fluctuation in prices and the sale volume of the fruits. The Target Group does not anticipate the prices of fruit will decline significantly in the foreseeable future and, therefore, has not entered into derivatives or other contracts to manage the risk of a decline in fruit prices. The Target Group reviews its outlook for fruit prices regularly in considering the need for active financial risk management.

(c) Fair value estimation

The director of Global Castle considers that the carrying amounts of the Target Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values as at 31 December 2011 and 2012.

7. REVENUE AND SEGMENT INFORMATION

The Target Group (excluding Mao Yuan) did not generate any revenue during the Relevant Periods.

The Target Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. The Target Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Target Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

The Target Group is currently organised into two operating segments, which are the management of the Forestlands and distribution of food business. As set out in Note 8 below, Mao Yuan was principally engaged in distribution of food business. Owing to the transfer of all relevant accounting records and underlying supporting documents to a new owner, the results and the financial position of Mao Yuan have not been included in the Financial Information. Accordingly, the operating segment of Mao Yuan was not considered as reportable segment and no segment information of the Target Group is presented for the purpose of this report. There has been no change of operating segments in the Relevant Periods.

Geographical information

All non-current assets of the Target Group are located in the PRC. Accordingly, no disclosure of geographical information is provided.

8. WRITE-OFF OF INVESTMENT IN AND AMOUNT DUE FROM A DECONSOLIDATED SUBSIDIARY

Pursuant to a shareholder resolution of Mao Yuan on 12 September 2012, Sheng Yuan has transferred its entire paid-in capital of RMB300,000 to a new owner and Mao Yuan ceases to be a subsidiary of Sheng Yuan thereafter. All the accounting records and the underlying supporting documents have been transferred to the new owner. For the purpose of this report, the results and the financial position of Mao Yuan have not been included in the Financial Information as the director of Global Castle considers that Mao Yuan does not form part of the Target Group for the purpose of the Acquisition set out in the Circular.

The particular of Mao Yuan as at 31 December 2011 is as follows:

Name of deconsolidated subsidiary	Place of establishment	Date of establishment	Registered and paid-in capital	Effective interest held	Principal activity
Indirectly held:					
青龍滿族自治縣茂源農業有限公司 (Qinglong Manchu Autonomous County Mao Yuan Agriculture Company Limited*)	The PRC	25 May 2011	RMB300,000	100%	Distribution of food business

* The English name is for identification purpose only.

The director of Global Castle considers that the fair value of the investments in and amount due from Mao Yuan was nil. Amounts of HK$368,700 and HK$49,640 were written off during the period from 28 January 2011 to 31 December 2011 and during the year ended 31 December 2012, respectively.

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Period from 28 January 2011 to 31 December 2011 *HK$*	**Year ended 31 December 2012** *HK$*
Salaries, bonus and other benefits	289,114	11,790
Retirement benefits scheme contributions	29,899	3,843
Termination benefits (note)	52,638	7,201
Total staff costs including director's emoluments	371,651	22,834
Auditor's remuneration	17,206	8,191

Note: Termination benefits for the period from 28 January 2011 to 31 December 2011 represented lump-sum payments made to staff for the compensation for loss of office. Termination benefits for the year ended 31 December 2012 represented the enhancement of retirement benefits through an employee benefit plan to the former employees of the Target Group.

10. INCOME TAX

Global Castle is tax exempt under the law of the British Virgin Islands.

Billion Vision is subject to 16.5% of the estimated assessable profit under Hong Kong Profits Tax. No provision for Hong Kong Profits Tax has been made as Billion Vision has no assessable profit in Hong Kong.

The basic tax rate of Sheng Yuan is 25%, under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation regulation of the EIT Law. No provision for PRC Enterprise Income Tax has been made as Sheng Yuan has no assessable profit in the PRC.

The income tax expense for the period can be reconciled to the loss before tax per the consolidated income statements as follow:

	Period from 28 January 2011 to 31 December 2011 *HK$*	**Year ended 31 December 2012** *HK$*
Loss before tax	(2,038,194)	(2,182,047)
Income tax expense calculated at domestic income tax rate of 25%	(509,549)	(545,513)
Tax effect of non-deductible expenses	509,549	545,513
Income tax recognised in loss for the period/year	–	–

As at 31 December 2011 and 2012, the Target Group had no material unprovided deferred tax liability.

11. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Relevant Periods, no emolument was paid to the directors of Global Castle.

The five highest paid individuals of the Target Group for the period from 28 January 2011 to 31 December 2011 and the staff cost paid for the two employees for the year ended 31 December 2012 are as follows:

	Period from 28 January 2011 to 31 December 2011	Year ended 31 December 2012
	HK$	*HK$*
Salaries and allowances	241,614	11,790
Retirement benefits scheme contributions	25,887	3,843
Compensation for loss of office	52,638	7,201
	320,139	22,834

The emoluments of each of the five highest paid individuals of the Target Group for the period from 28 January 2011 to 31 December 2011 and the two employees for the year ended 31 December 2012 were below HK$1,000,000.

During each of the Relevant Periods, other than disclosed above, no other emoluments were paid by the Target Group to the five highest paid individuals for the period from 28 January 2011 to 31 December 2011 and to the two employees for the year ended 31 December 2012, including directors of Global Castle, as an inducement to join the Target Group or as compensation for loss of office. In addition, during each of the Relevant Periods, no directors of Global Castle waived any emoluments.

12. DIVIDENDS

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

13. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Furniture, fixture and office equipment	**Motor vehicle**	**Total**
	HK$	*HK$*	*HK$*
Cost			
Addition	163,564	–	163,564
Exchange realignment	2,828	–	2,828
At 31 December 2011 and 1 January 2012	166,392	–	166,392
Addition	–	909,449	909,449
Exchange realignment	1,625	9,627	11,252
At 31 December 2012	168,017	919,076	1,087,093
Accumulated depreciation			
Charge for the period	11,970	–	11,970
At 31 December 2011 and 1 January 2012	11,970	–	11,970
Charge for the year	28,456	27,572	56,028
Exchange realignment	117	–	117
At 31 December 2012	40,543	27,572	68,115
Carrying amounts			
At 31 December 2011	154,422	–	154,422
At 31 December 2012	127,474	891,504	1,018,978

15. PREPAID LEASE PAYMENTS – THE FORESTLANDS USE RIGHTS

The Target Group

	As at 31 December 2011 *HK$*	As at 31 December 2012 *HK$*
Cost		
At the beginning of the period/year	–	5,253,349
Addition:		
– land portion allocated from the aggregate of consideration and its associated initial costs paid	5,098,613	43,262,960
Exchange realignment	154,736	509,291
At the end of the period/year	5,253,349	49,025,600
Accumulated amortisation		
At the beginning of the period/year	–	747,623
Charge for the period/year	747,623	1,065,774
Exchange realignment	–	7,300
At the end of the period/year	747,623	1,820,697
Carrying amount of leasehold land in the PRC under medium-term lease	4,505,726	47,204,903
Analysed for reporting purposes as:		
Non-current assets	3,450,258	46,139,129
Current assets	1,055,468	1,065,774
Carrying amount	4,505,726	47,204,903

Prepaid lease payments represent the amount allocated as land portion from the aggregate of consideration and its associated initial costs paid to acquire the Forestlands use rights granted to the Target Group in the PRC. Basis of allocation is further discussed in Note 16 below. The Forestlands use rights will expire in the year 2057. Usage of the Forestlands is regulated by the implementation regulations of the PRC Forest Law promulgated by the State Council of the PRC.

16. BIOLOGICAL ASSETS, AT COST

The Target Group

	As at 31 December 2011 *HK$*	**As at 31 December 2012** *HK$*
Cost		
At the beginning of the period/year	–	5,394,615
Increase due to purchases	5,235,718	–
Exchange realignment	158,897	52,674
At the end of the period/year	5,394,615	5,447,289
Accumulated depreciation		
At the beginning of the period/year	–	83,069
Charge for the period/year	83,069	118,419
Exchange realignment	–	812
At the end of the period/year	83,069	202,300
Carrying amount	5,311,546	5,244,989

Note:

(a) In January 2011, Sheng Yuan and the respective villages committees of Qinglong Manchu Autonomous County ("**Qinglong**") entered into various forest land management rights transfer agreements (the "**Transfer Agreements**") to acquire the Forestlands use rights in relation to the total area of 63,035.29 Chinese Mu ("**mu**"). Pursuant to the Transfer Agreements, Sheng Yuan required to pay RMB4,349,435 (or equivalent to HK$5,188,006) upon the issue of forest rights certificates by the Forest Bureau in Qinglong in April 2011. The remaining balance of RMB39,144,915 (or equivalent to HK$48,069,956) is required to be paid in May 2012.

(b) Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands on which the Target Group undertakes agricultural activities to cultivate the fruit trees to produce various fruits as agricultural produce for sale. Pursuant to a forest survey report (the "**Investigation Report**") prepared by an independent licensed forestry professionals and consultants in the PRC (the "**Forest Survey Team**"), there are 40,571.54 mu of the Forestlands planted with 4 major species of fruits (the "**Relevant Biological Assets**"), which about 33,653.66 mu planted with apricot trees, about 5,341.15 mu planted with hawthorn trees, about 990.65 mu planted with chestnut trees and about 586.08 mu planted with pear trees.

(c) Owing to the fact that the Target Group has not yet obtained any licenses and approvals from the relevant authorises on out planting, cutting, logging, transplanting or selling the biological assets on piecemeal basis (hereinafter the "**Relevant Licenses and Approvals**"), the sole director of Global Castle opined that, theoretically, there was no commercial value on the biological assets as at the date of initial recognition, 31 December 2011 and 2012. In addition, alternative estimates of fair value of the biological assets, such as using Income Approach and/or Cost Approach as advised by LCH, could not determine a clearly reliable fair value of the biological assets. Accordingly, under HKAS 41 "Agriculture", the presumption that the fair value of the biological assets can be measured reliably is rebutted. Biological assets are therefore stated at cost less accumulated depreciation and any accumulated impairment losses in the consolidated statements of financial position as at 31 December 2011 and 2012.

(d) The Target Group applied the fair value proportion (the "**Proportion**") with reference to the work performed by LCH to allocate the aggregate of consideration and its associated initial costs paid to acquire the Forestlands use rights into the cost of prepaid lease payments in respect of the land portion and the cost of the biological assets, provided that the fair values of the Relevant Biological Assets are determined under a special assumption (the "**Special Assumption**") that the Relevant Biological Assets could be sold in an active market which is not the case as the Relevant Licenses and Approvals have not yet been obtained as at the date of initial recognition, 31 December 2011 and 2012. Details are set out in note (c) above. However, in the opinion of the sole director of Global Castle that the Relevant Licenses and Approvals are not unobtainable, for the financial reporting purpose, the sole director of Global Castle, with reference to the work performed by LCH, determined the possible fair values of the Relevant Biological Assets to compute the Proportion basing on the Special Assumption. Furthermore, as advised by the Forest Survey Team, only the fair values of the Relevant Biological Assets were used to determine the Proportion as other tree species planted on the remaining areas of the Forestlands have no significant economic value.

(e) For the purpose of (d) above, the fair values of the Relevant Biological Assets were independently valued by LCH based on the information available to the sole director of Global Castle. With the Special Assumption, LCH has applied Comparable Sales Approach that considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

In addition to the Special Assumption, the principal valuation methodology and assumptions adopted by LCH to value the fair values of the Relevant Biological Assets are as follows:

– the end product or the market being assessed are for inventory of standing trees;

– the number of each tree species considered in the valuation is based on the Investigation Report;

– the prices for each tree species are homogenous and the average price for each species was used as valuation basis. LCH has also factored in the condition of the tree species such as their species, age and breast width;

– prices for each species were taken from external sources. No allowances for transportation were considered as these costs are normally paid for by the buyer. However, the market prices adopted are after allowance for the uprooting and loading.

17. INVESTMENT IN AND AMOUNT DUE FROM A SUBSIDIARY

Global Castle

	As at 31 December 2011 *HK$*	**As at 31 December 2012** *HK$*
Unlisted share at cost	1	1
Due from a subsidiary	1,006,659	62,892,801

The amount due from a subsidiary was unsecured, interest-free and had no fixed terms of repayment as at 31 December 2011 and 2012.

18. TRANSFER FEE PAYABLE – BIOLOGICAL ASSETS

Transfer fee payable – biological assets represented the aggregate of the consideration and the associated initial costs allocated to the biological assets, which had not yet paid as at 31 December 2011. Details of the allocation have been set out in Note 16 above. The unpaid transfer fee has been fully paid during the year ended 31 December 2012.

19. DUE TO FORMER SHAREHOLDERS AND PARENT COMPANY

The amounts due to former shareholders and parent company were unsecured, interest-free and had no fixed terms of repayment except that the parent company agreed not to call for repayment for any amount due to her unless and until the Target Group is able to meet its financial obligations as they fall due. Accordingly, the amount due to parent company was classified as non-current liabilities in the consolidated statements of financial position as at 31 December 2012.

20. SHARE CAPITAL

(a) Authorised and issued capital

Global Castle

	As at 31 December 2011 *HK$*	**As at 31 December 2012** *HK$*
Authorised:		
50,000 shares of US$1 each	388,000	388,000
Issued and fully paid:		
1 share of US$1 each	8	8

Global Castle incorporated on 28 January 2011 and is authorised to issue a maximum of 50,000 shares with a par value of US$1 each of a single class. At the date of incorporation, 1 share was allotted to the subscriber to provide the initial working capital of Global Castle.

(b) Capital management

The capital structure of Global Castle comprises amount due to parent company in Note 19, net of cash and cash equivalents and total deficiency attributable to owners of Global Castle, comprising issued share, accumulated losses and exchange fluctuation reserve stated on the consolidated statements of financial position. The Target Group's primary objective when managing capital is to safeguard Global Castle's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

Global Castle manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

Apart from the entity's share capital, Global Castle's operation is mainly sourced from the amounts advanced from its parent company which were unsecured, interest-free and had no fixed repayment term. In addition, the shareholder and the beneficial owner of Global Castle consent to provide financial support to the Target Group and will not call for any repayment of the loan account until the financial position of the Target Group permits.

Neither Global Castle nor its subsidiaries are subject to externally imposed capital requirements.

21. EMPLOYEE RETIREMENT BENEFITS SCHEMES

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

22. MAJOR NON-CASH TRANSACTIONS

The Target Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flows:

During the period from 28 January 2011 to 31 December 2011

– On 23 May 2011, at the time when the shareholding of Global Castle transferred from Former Shareholder A to the Former Shareholder B, the Former Shareholder A transferred the entire amount due from Global Castle to the Former Shareholder B amounting to HK$1,006,652.

– In January 2011, Sheng Yuan and the respective villages committees of Qinglong entered into the Transfer Agreements to acquire the Forestlands use rights. Among the total consideration, RMB4,389,435 (or equivalent to HK$5,235,718) has been allocated to the cost of the biological assets, which RMB3,914,492 (or equivalent to HK$4,669,205) was not paid during the period from 28 January 2011 to 31 December 2011. Such amount was fully paid during the year ended 31 December 2012.

During the year ended 31 December 2012

– On 20 February 2012, at the time when the shareholding of Global Castle further transferred to the parent company, the Former Shareholder B transferred the entire amount due from Global Castle to the parent company amounting to HK$1,006,652.

– Pursuant to a deed of assignment dated 20 February 2012, the Former Shareholder A transferred the entire amount due from Sheng Yuan to director and beneficial owner of Global Castle amounting to HK$5,280,900. Such amount was then transferred to the parent company of Global Castle.

23. RELATED PARTY TRANSACTIONS

Details of directors' emoluments and outstanding amounts with the former shareholders and parent company, were disclosed in Note 11 and 19 respectively. During the period from 28 January 2011 to 31 December 2011 and during the year ended 31 December 2012, the Target Group had transactions with related parties as follows:

a) Transfer of amounts due to former shareholders to parent company

As described in Note 22 above, on 23 May 2011, the amount due from Global Castle to the Former Shareholder A amounting to approximately HK$1,006,652 was transferred to the Former Shareholder B. On 20 February 2012, HK$1,006,652 was transferred to the parent company.

b) Transfer of amount due to former shareholder to director and beneficial owner of Global Castle

As described in Note 22 above, on 20 February 2012, the amount due from Global Castle to the Former Shareholder A amounting to HK$5,280,900 was transferred to director and beneficial owner of Global Castle pursuant to a deed of assignment. Such amount was then transferred to the parent company of Global Castle.

c) Compensation of key management personnel

The remuneration of key management during the period from 28 January 2011 to 31 December 2011 and for the year ended 31 December 2012 are as follows:

	Period from 28 January 2011 to 31 December 2011	**Year ended 31 December 2012**
	HK$	*HK$*
Short-term benefits	46,702	–

The remuneration of key management personnel is determined having regard to the performance of individuals and market trends.

24. COMMITMENTS

(a) Commitment in respect of capital contribution to Sheng Yuan

As described in Note 1, pursuant to a shareholder resolution dated 6 May 2011, the registered capital of Sheng Yuan increased to HK$40,000,000. On 19 December 2012, Sheng Yuan has obtained a government approval pursuant to which the registered capital of Sheng Yuan reduced from HK$40,000,000 to HK$9,000,500. As at 31 December 2011 and 2012, the total paid-in capital of Sheng Yuan was HK$1,000,000 and HK$9,000,500 respectively. Billion Vision had capital commitment of HK$39,000,000 as at 31 December 2011. Billion Vision had no capital commitment as at 31 December 2012.

(b) Operating lease commitments in respect of the Forestlands use rights

As at 31 December 2011, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of the Forestlands use rights amounting to RMB35,230,423 (or equivalent to HK$43,298,190)) which fall due within one year. During the year ended 31 December 2012, the amount has been fully settled.

25. SUBSEQUENT EVENTS

The Target Group did not have any significant event occurred subsequent to the Relevant Periods.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Global Castle, Billion Vision and Sheng Yuan in respect of any of the period subsequent to 31 December 2012 and up to the date of this report.

Yours faithfully,

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

E. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

FOR THE PERIOD FROM 28 JANUARY 2011 TO 31 DECEMBER 2012

Set out below is the management discussion and analysis of the Target Group for the period from 28 January 2011 (date of incorporation of Global Castle) to 31 December 2012 (the "**Relevant Periods**"). The following financial information is based on the financial information of the Target Group as set out in Section A to D of this appendix.

Business review

Global Castle was incorporated on 28 January 2011, it had not carried on any business activities other than establishing Billion Vision, Sheng Yuan and Mao Yuan in relation to the period from 30 January 2011 to 12 September 2012 on which date Mao Yuan was disposed of by Sheng Yuan. The principal business of Global Castle and its subsidiaries are investment holding and investment management services and production and management of forest base. The major assets held by the Target Group are the 23 Forest Rights Certificates for the operating rights and forestry management of various parcels of forest lands covering an area of about 63,035.29 mu till 10 February 2057. The forest lands are currently held by Sheng Yuan in various locations in Hebei Province of the PRC.

Financial highlights

The Target Group recorded an audited net loss of approximately HK$2,038,000 for the period from 28 January 2011 to 31 December 2011. As at 31 December 2011, the audited net liabilities of the Target Group were approximately HK$2,005,000. Besides, an audited net loss of approximately HK$2,182,000 was recorded for the year ended 31 December 2012. The audited net liabilities were approximately HK$2,878,000 as at 31 December 2012.

Revenue

Since the Target Group is still in its early stage of development, there was no turnover for the Relevant Periods.

Other income

During the Relevant Periods, the Target Group recorded total other incomes of HK$4,637 which are bank interest incomes.

Prospects and future plans

The Target Group has various parcels of forest land in various locations in Hebei Province of the PRC. As at the Latest Practicable Date, the Forestlands have various fruit trees on it but have not commenced development. The management of the Company has the intention to develop ecotourism business over the Forestlands. Details of the plan are set out in the section headed "Reasons for the Acquisition" of the Letter from the Board of this circular.

Liquidity, financial resources and capital structure

The Target Group generally finances its operations with internal resources and the amount due to the Vendor.

As at 31 December 2012, the Target Group had no bank loan, but had interest–free loan from the Vendor of approximately HK$62,898,000.

Please refer to Section B of this appendix for the information of the nature of major assets, liabilities and liquidity of the Target Group as at 31 December 2012.

Charge on assets

The Target Group did not pledge any assets as at 31 December 2012.

Treasury policies and foreign currency exposure

As disclosed in note 6(b)(i) of Section C in this appendix, the Target Group has exposed to currency risk arising from its bank balances, the amounts due to former shareholders as at 31 December 2011 and the amounts due to the Vendor as at 31 December 2012 denominated in HK$.

Capital commitment

Please refer to note 24 of Section C in this appendix for the capital commitment of the Target Group.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 31 December 2012. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Target Group was not involved in any litigation or arbitration of material importance and no litigation or arbitration of material importance was known to the Directors to be pending or threatened against the Target Group.

Gearing ratio

As at 31 December 2012, the gearing ratio of the Target Group (which calculated based on total debt to total asset) was approximately 1.05.

Acquisition and disposal of subsidiaries

Save for the group restructuring of the Target Group as set out in note 1 of Section C in this appendix and the disposal of Mao Yuan by Sheng Yuan on 12 September 2012, there were no material acquisitions or disposals of subsidiaries of the Target Group during the Relevant Periods up to the Latest Practicable Date.

Employees and remuneration

As at 31 December 2012, the Target Group had no employees. The aggregate employee benefit expenses during the Relevant Periods amounted to approximately HK$394,000 was incurred for the ex-employees.

(A) ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

陳浩賢會計師事務所

GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG

Rooms 3719 - 26, 37/F.,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

TO THE DIRECTORS OF HERITAGE INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Statement of Assets and Liabilities") of Heritage International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Global Castle Investments Limited ("Global Castle") and its subsidiaries (the "Target Group", together with the Group hereinafter collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition (the "Acquisition") of the entire issued capital of Global Castle might have affected the financial information presented, for inclusion in Appendix III of the circular of the Company dated 12 March 2013 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Statement of Assets and Liabilities is set out in Section B of this appendix.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Statement of Assets and Liabilities 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" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Statement of Assets and Liabilities and to report our opinion to you. We do not accept any responsibility for any report previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Statement of Assets and Liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Statement of Assets and Liabilities with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Statement of Assets and Liabilities has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Statement of Assets and Liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Statement of Assets and Liabilities is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 September 2012 or any future date.

Opinion

In our opinion:

a. the Unaudited Pro Forma Statement of Assets and Liabilities has been properly compiled by the directors of the Company on the basis stated;

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

c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Statement of Assets and Liabilities as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

12 March 2013

(B) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Statement of Assets and Liabilities") is prepared to illustrate the effect of the acquisition of the entire issued capital of Global Castle Investments Limited ("Global Castle") from Speedy Harvest Holdings Limited (the "Vendor"). The aggregate consideration for the Acquisition is HK$800 million, which shall be paid by Equal Leader Limited (the "Purchaser"), which is a wholly-owned subsidiary of the Company, and shall be satisfied in full by cash.

The Unaudited Pro Forma Statement of Assets and Liabilities is prepared based on the unaudited condensed consolidated statement of financial position of the Group as of 30 September 2012 as extracted from the interim report of the Company issued on 29 November 2012 and the consolidated statement of financial position of the Target Group as at 31 December 2012 as extracted from the accountant's reports set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 30 September 2012. Disclaimer of opinion was expressed by the reporting accountant, Graham H. Y. Chan & Co., in respect of the accountant's reports. Details of basis of disclaimer of opinion are set out in Appendix II.

The Unaudited Pro Forma Statement of Assets and Liabilities is based on the aforesaid historical data after giving effect to the pro forma adjustments that are (i) directly attributable to the transactions and (ii) factually supportable. A narrative description of the pro forma adjustments is summarised in the accompanying notes.

The Unaudited Pro Forma Statement of Assets and Liabilities has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, and because of its nature, the Unaudited Pro Forma Statement of Assets and Liabilities does not purport to predict what the financial position of the Enlarged Group will be on completion of the Acquisition.

The Unaudited Pro Forma Statement of Assets and Liabilities should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 September 2012 and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Statement of Assets and Liabilities

			Pro forma adjustments			
	The Group as at 30 September 2012	The Target Group as at 31 December 2012	Fair value adjustments on identifiable assets and liabilities of the Target Group	Adjustment for goodwill and consideration payable for the Acquisition	Adjustment for transaction costs	Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets						
Property, plant and equipment	11,023	1,019				12,042
Intangible assets	50,000	–	719,733			769,733
Investment properties	111,400	–				111,400
Prepaid lease payments – the Forestlands use rights	–	46,139				46,139
Biological assets, at cost	–	5,245	65,492			70,737
Goodwill	–	–		151,061		151,061
Available-for-sale investment	4,500	–				4,500
Rental deposit	700	–				700
Loan receivable	25,120	–				25,120
Investments at fair value through profit or loss	266,147	–				266,147
	468,890	52,403				1,457,579
Current assets						
Inventories	135	–				135
Prepaid lease payments – the Forestlands use rights	–	1,066				1,066
Loans receivable	36,780	–				36,780
Investments at fair value through profit or loss	499,568	–				499,568
Derivative financial instruments	16,830	–				16,830
Prepayments, deposits and other receivables	8,275	3				8,278
Cash and cash equivalents	21,525	7,010		(800,000)		(771,465)
	583,113	8,079				(208,808)

	The Group as at 30 September 2012	The Target Group as at 31 December 2012	Pro forma adjustments: Fair value adjustments on identifiable assets and liabilities of the Target Group	Pro forma adjustments: Adjustment for goodwill and consideration payable for the Acquisition	Pro forma adjustments: Adjustment for transaction costs	Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current liabilities						
Other payables and accruals	3,722	462			2,383	6,567
Interest-bearing bank borrowings	34,062	–				34,062
	37,784	462				40,629
Net current assets/(liabilities)	545,329	7,617				(249,437)
Total assets less current liabilities	1,014,219	60,020				1,208,142
Non-current liabilities						
Due to the Vendor	–	62,898		(62,898)		–
Deferred tax liability	–	–	196,306			196,306
	–	62,898				196,306
Net assets/(liabilities)	1,014,219	(2,878)				1,011,836

Notes to the Unaudited Pro Forma Statement of Assets and Liabilities

(1) The carrying amounts of assets and liabilities of the Group are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2012 set out in the published interim report of the Group for the six months ended 30 September 2012.

(2) The carrying amounts of assets and liabilities of the Target Group are extracted from the accountant's report of the Target Group as set out in Appendix II of this circular.

(3) For the purpose of preparing the Unaudited Pro Forma Statement of Assets and Liabilities, the directors of the Company account for the Acquisition in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") and assume that the fair values of identifiable assets and liabilities of the Target Group as at the date of Acquisition are the same as their carrying amounts as at 31 December 2012, except for the lease asset in relation to land portion of the Forestlands and the biological assets in relation to the forestlands held by the Target Group (the "Forestlands") which their fair values were determined on a provisional basis by making reference to valuation on the Forestlands and valuation on the biological assets carried out on 31 December 2012 by LCH(Asia-Pacific) Surveyors Limited ("LCH"), an independent professional qualified valuer not connected to the Group and the valuations denominated in RMB are translated to Hong Kong Dollars ("HK$") at an exchange rate of HK$1.241 = RMB1 (closing rate on 31 December 2012), as follows:

	HK$'000
Fair value of the Forestlands determined on 31 December 2012	837,675
Less: fair value of the biological assets on 31 December 2012	(70,737)
Fair value of the lease asset in relation to land portion of the Forestlands	766,938

The fair value of the biological assets as determined by LCH is based on a special assumption (the "Special Assumption") that the biological assets attached to the Forestlands could be sold in the market which is not the case on 31 December 2012. Before obtaining any licenses and approvals from the relevant authorizes on out planting, cutting, logging, transplanting or selling the biological assets on piecemeal basis (hereinafter the "Relevant Licenses and Approvals"), theoretically, there was no commercial value on 31 December 2012. However, as advised by the management of the Company that the Relevant Licenses and Approvals are not unobtainable, for the purpose of financial reporting under HKFRS 3, LCH valued the possible fair value of the biological assets for the apportionment of the fair value of the Forestlands into the fair value of the lease asset in relation to land portion of the Forestlands and the fair value of biological assets thereon basing on the Special Assumption.

Adjustment on lease asset in relation to land portion of the Forestlands:

	HK$'000
Fair value of the lease asset in relation to land portion of the Forestlands	766,938
Less: carrying amount of prepaid lease payments – the Forestlands use right	(47,205)
Favourable lease asset recognised in intangible assets	719,733

For the purpose of the Unaudited Pro Forma Statement of Assets and Liabilities, the above-determined fair values basing on the Special Assumption are presumed to be the market-based fair values as defined under HKFRS 3.

Should the conditions at the completion date were substantially different from the assumptions used for valuations on 31 December 2012, the fair values of the biological assets and the lease asset in relation to land portion of the Forestlands would have been materially different from the fair values used in the preparation of the Unaudited Pro Forma Statement of Assets and Liabilities.

The fair value of the identifiable assets and liabilities of the Target Group to be acquired from the Acquisition is estimated as follows:

	HK$'000
Carrying amount of net liabilities of the Target Group as at 31 December 2012	(2,878)
Add:	
Fair value adjustments on:	
Favourable lease asset	719,733
Biological assets	65,492
Adjustment for deferred tax liabilities	(196,306)
Assumed fair values of the identifiable assets and liabilities acquired from the Acquisition	586,041

The Group estimated that the useful lives of favourable lease asset, prepaid lease payments – the Forestlands use rights and biological assets are determined based on the remaining lease period of the forest right certificates issued by the Forest Bureau of Qinglong Manchu Autonomous County from the completion date to 11 February 2057.

(4) Goodwill of approximately HK$151,061,000 is assumed to arise from the Acquisition, which is determined based on the excess of the cash consideration of HK$800,000,000, over (i) the assumed fair values of identifiable assets and liabilities acquired from the Acquisition of HK$586,041,000 (as calculated in note 3 above); and (ii) the fair value of the amount due to the Vendor by Global Castle of approximately HK$62,898,000, which the directors of the Company consider approximate to its carrying amount as at 31 December 2012.

The cash and cash equivalents of the Unaudited Pro Forma Statement of Assets and Liabilities is a negative cash balance of HK$771,465,000. The cash consideration will be financed by the internal resources and the other borrowings which have been obtained by the Group subsequent to 30 September 2012. In the opinion of the directors of the Company, as at the date of the report, the Group has sufficient cash balance to settle the shortfall.

The amount of goodwill is subject to change upon the completion of (i) the identification of other assets and liabilities of the Target Group, such as intangible assets, if any; (ii) the valuation of the fair values of the identifiable assets and liabilities of the Target Group, including the fair value of the lease asset in relation to land portion of the Forestlands and the biological assets of the Forestlands; and (iii) the valuation of the fair value of the amount due to the Vendor upon the Acquisition, if any.

(5) The adjustment represents the payment of estimated Acquisition-related costs including advisory, legal, accounting, valuation and other professional fees directly attributable to the Acquisition of approximately HK$2,383,000.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 31 December 2012 of the Forestlands interests held by Sheng Yuan.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standard 2011 (the "IVS") published by the International Valuation Standards Council as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translation of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusion.

12 March 2013

17th Floor
Champion Building
Nos. 287 – 291 Des Voeux Road Central
Hong Kong

The Board of Directors
Heritage International Holding Limited
29th Floor, China United Centre
No.28 Marble Road
North Point
Hong Kong

Dear Sirs,

In accordance with the instruction given by the management of Heritage International Holding Limited (hereinafter referred to as the "Company") to us to value certain parcels of forest land (hereinafter referred to as the "Forestlands") in various locations in Sanxingkou Township, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province of the People's Republic of China (hereinafter referred to as the "PRC" or "China") in which the Company and its subsidiaries (collectively, hereinafter together with the Company referred to as the "Group") have intention to acquire, we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our conclusion of value of the Forestlands as at 31 December 2012 (hereinafter referred to as the "Valuation Date") for incorporating in a circular for the Company's shareholders' reference purpose. We are given to understand that the Forestlands valued is held by 盛源(天津)投資管理服務有限公司 Shengyuan Investments Management Services (Tianjin) Co., Ltd. (hereinafter referred to as "Shengyuan").

We understand that the use of our work product (regardless of form of presentation) will form part of the Company's due diligence, but we have not been engaged to make specific sale or purchase recommendations, or give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision regarding the Forestlands valued. Our work is designed solely to provide information that will give the management of the Company a reference in its due diligence process, and our work should not be the only factor to be referenced by the Company.

Basis of Valuation and Assumptions

According to the IVS, which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our conclusion of value of the Forestlands on market value basis.

The term "Market Value" is defined by the IVS as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuation of the Forestlands has been made on the assumptions, that, as at the Valuation Date:

- the legally interested party in the Forestlands sells the Forestlands in its highest and best form and as part of a going concern business of Shengyuan in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Forestlands;

- the legally interested party in the Forestlands has free and uninterrupted rights to assign the interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid;

- all required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in our report are based;

- the Forestlands has obtained relevant government's/organisation's approvals for the sale of the Forestlands and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market;

- the Forestlands, as advised, under the management of Shengyuan can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government;

- the legally interested party in the Forestlands has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as compensation and soil erosion) to the Forestlands and the proper usage of the Forestlands; and

- there is no material difference between the information contained in the Forest Rights Certificates and the actual figures.

Should any of the above not be the case, it will have adverse impact to our valuation.

Approach to Value

There are three generally accepted approaches in arriving at the market value of a property, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

In valuing the Forestlands, we have adopted the Sales Comparison Approach on the assumption that the Forestlands is to be disposed in its existing state as at the Valuation Date. This approach considers the sales, listing or offerings of similar or substitute property i.e. parcels of forest land with fruit trees and other cultivation growing on it and related market data to establish a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

By using this approach, the land is assumed to have the benefit of approved usage with the existing improvement i.e. fruit trees and other cultivation, and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing improvement and site works (if any), and the extent to which these realise the full potential value of the land.

The approach is built on the basic assumption that the prices for each comparable land are factored in the condition of the features of the land such as their location, transportation, quality of the land (i.e. with fruit trees and other cultivation growing on it or not) and size.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

Matters that might affect the values reported

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and valuation accordingly.

We noted from the Letter from the Board in this circular that the Company has an intention to build a holiday resort with 600 blocks of villa on the Forestlands. Given the fact that no further approvals, consents or solid plans have been provided to us, we did not factor such intention in our valuation.

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

In our valuation, we have assumed that the Forestlands is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the Forestlands which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the Forestlands. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

Establishments of titles

Based on the purpose of this engagement, the management of the Company provided us the necessary copies of documents to support the legally interested party in the Forestlands (in this instance, Shengyuan) has free and uninterrupted rights to transfer, to mortgage or to let its relevant property interests for the whole of the unexpired terms as granted free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that Shengyuan has the right to occupy and to use the Forestlands. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Forestlands from the relevant authorities. We agreed with the management of the Company that this should be the responsibility of the legal advisor to the management of the Company. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the Forestlands.

The land registration system of China forbids us to search the original documents of the Forestlands that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Forestlands. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of documents and the copy of the PRC legal opinion provided by the management of the Company with regard to the legal titles of the Forestlands. We are given to understand that the PRC legal opinion was prepared by a qualified PRC legal adviser - King and Wood Mallesons dated 17 October 2012. No responsibility or liability from our part is assumed in relation to those legal opinions.

In our report, we have assumed that Shengyuan has obtained all the approval and/or endorsement from the relevant authorities for the Forestlands, and there would have no legal impediment (especially from the regulators) for Shengyuan to continue its titles and disposal rights in the Forestlands. Should this not be the case, it will affect the reported value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

Inspections and investigations of the Forestlands in accordance with Valuation Standard 4 of the HKIS Standards

In late June 2012, we have, where possible, conducted limited scope visual inspections of the Forestlands in respect of which we have been provided with such information as we have requested for the purpose of this engagement. The inspections were conducted by our Mr. Terry Fung and Mr. Brian Yu (their qualification is in page V-4 of this circular). We have not inspected those parts of the Forestlands which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of the Forestlands and our work product should not be taken as making any implied representation or statement about the condition of the Forestlands. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the Forestlands inspected. We are not, however, able to report that the Forestlands is free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised construction, extension, illegal usage or addition has been made in the Forestlands, and that the use of our report does not purport to be a condition survey of the Forestlands, and the trees and plantation on top of the Forestlands. If the management of the Company is proposing to purchase the Forestlands and wants to satisfy themselves as to their condition, then the management of the Company should obtain a third party detailed surveyor's inspection report on their own before deciding whether or not to enter into an agreement for sale and purchase.

The purpose of our inspection was not to create an error free assets schedule or to conduct inventory taking or to have a full scope investigation of the Forestlands. The inspection solely designed to let the valuer to have a better understanding on the general environs of the Forestlands. No responsibility or liability is assumed. The management of the Company or interested party in the Forestlands should conduct their own inventory or stock due diligence work.

We have not carried out on-site measurements to verify the correctness of the areas of the Forestlands, but have assumed that the areas shown on the documents and the official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Verification work on site was performed on when and where appropriate bases, and without violating the laws and regulations in China. According to the laws and regulations in China, foreigners including citizens from Hong Kong are not allowed to use any form of GPS (Global Positioning System)-related equipment and large scale maps in China. The management of the Company or interested party in the Forestlands should conduct their own due diligence work to verify the location and areas.

Our engagement and the agreed procedures to value the Forestlands did not include an independent land survey to verify the legal boundaries of the Forestlands. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the Forestlands that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the Forestlands should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Forestlands, or has since been incorporated, and we are therefore unable to report that the Forestlands is free from risk in this respect, and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the Forestlands and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the Forestlands. We have not carried out any investigation into past or present uses, either of the Forestlands or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the Forestlands from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the Forestlands or any neighbouring land, or that the Forestlands has been or is being put to a contaminative use, this might reduce the value reported or affect our findings.

Sources of information and its verification in accordance with Valuation Standard 5 of the HKIS Standards

In the course of our work, we have been provided with copies of the documents regarding the Forestlands, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify the ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site area and all other relevant matters.

The completion of this valuation depends on the expertise of a forestry professional in identifying the existing land use (including the tree species and their estimated quantities planted thereon) that was used to give us an understanding on the present land use of the Forestlands and its locality. Since we are not forestry professionals and that we are not authorised person to conduct forest land survey or are restricted from possessing detailed maps and GPS readings in China, we have, at the instructions of the Company, relied on a copy of an investigation report prepared by 河北省林業調查規劃設計院 (translated as Forest Survey and Planning Institute of Hebei Province) who are licensed forestry professional and consultant in China commissioned specifically by the Company for the purpose of this valuation. We are given to understand that the forestry consultant is an independent third party to the Company.

The scope of our valuation has been determined by reference to the property list provided by the management of the Company. The management of the Company has confirmed to us that Shengyuan has no property interests other than those specified on the list supplied to us and included in this report.

Our valuation has been made based only on the advice and information made available to us. While a limited scope of general inquiries of prices for each comparable forest land had been made to the relevant parties of the land, such as farmers and government officials, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company or Shengyuan or their appointed personnel in our works, the assumptions and caveats adopted by them in arriving at their figures also applied to this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or Shengyuan or their appointed personnel. Also, we have sought and received confirmation from the management of the Company or Shengyuan or their appointed personnel that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Company and Shengyuan of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or Shengyuan or their appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS IN THIS REPORT

Our findings and conclusion of value of the Forestlands in this report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the instructing party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, prospectus or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular for the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

It is agreed that the Company and the instructing party are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is prepared in line with the requirements contained in the Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in both IVS and the HKIS Standards. The valuation has been undertaken by valuer (see End Note), acting as external valuer, qualified for the purpose of this valuation.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We consider these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the instructing party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the Forestlands depends solely on the assumptions made in our report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions proven to be inaccurate at a later date, it might affect the reported value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the Forestlands, the Group, Shengyuan or the value reported.

The valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS(GP)*
Director

Ms. Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong since 1994 and has more than 14 years of experience in valuing real properties in mainland China (in particular, has more than 5 years in valuing forest land). She is a Member of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

VALUATION CERTIFICATE

Property to be Acquired by the Group for Future Development

Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to Shengyuan as at 31 December 2012
Various parcels of forest land in various locations (the "Forestlands"), Sanxingkou Township, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, the People's Republic of China	The Forestlands comprises a total of 19 plantation tracts with 1,947 sub-sections of forest land and covered by 23 various Forest Rights Certificates. The Forestlands has a total land area of approximately 63,035.29 Chinese Mu* (i.e. approximately 42 sq. km.) and scattered in 10 villages. The Forestlands is generally a hilly sloping land planted with various fruit trees and other cultivations. Of the total 63,035.29 Chinese Mu, about 39,524.21 Chinese Mu are classified as land with forest, about 16,644.44 Chinese Mu are suitable land for forest, about 1,327.89 Chinese Mu are classified as afforested land, and about 5,538.75 Chinese Mu are classified as wood and shrub land. The areas planted with various fruit trees are broken down to about 33,653.66 Chinese Mu planted with apricot trees, about 5,341.15 Chinese Mu planted with hawthorn trees, about 990.65 Chinese Mu planted with chestnut trees, and about 586.08 Chinese Mu planted with pear trees. There are other tree species growing on the remaining area of the Forestlands. The Forestlands is subject to a master Forest Rights Certificate and 23 various Forest Rights Certificates for a land use term of 46 years till 10 February 2057. The usage of the Forestlands is restricted to cultivation and agriculture-related operation. We are advised by the management of the Company that, at present, no development plan or planning consent has been approved or has been obtained by Shengyuan in relation to the Forestlands, and the land use remains unchanged.	The Forestlands is generally a hilly sloping land with more than half land area planted with various fruit trees. Based on our observations during our inspection and subsequent discussions with the appointed personnel of the Company, we were given to understand that there is presently no centralised management of the planting on the Forestlands.	RMB 675,000,000 (100 per cent. interest)

* *1 Chinese Mu equals to 666.67 sq. m.*

Notes:

1. 青龍滿族自治縣 Qinglong Manchu Autonomous County is a Manchu autonomous county of northeastern Hebei Province, bordering Liaoning to the north and east and located in the eastern part of the Yan Mountains. Counties bordering Qinglong Manchu Autonomous County are Lingyuan and Jianchang (Liaoning) to the north, Suizhong (Liaoning) to the east, Qianan and Lulong to the south and Kuancheng Manchu Autonomous County and Qianxi to the west. It is situated within the Beijing-Tianjin-Tang-Qin Economic Circle and Bohai Economic Circle. It is 250 kilometers away from Beijing, 265 kilometers away from Tianjin, 480 kilometers away from Shijiazhuang, 118 km away from Qinhuangdao city, 145 kilometers away from the urban area of Tangshan, and 160 kilometers away from Chengde City. It is under the administration of Qinhuangdao City and has a population of 541,000 residing in an area of 3,510 sq. km.

   Presently, the county is divided into 11 towns, 14 townships, 396 villages and 4 residents' committees. The county has a northern temperate humid continental monsoon climate, with four distinct seasons, abundant sunshine, average temperature of 8.9°C, average annual rainfall of 716 mm, and the annual frost-free period of 162 days. The county people's government considered that the county has rich mineral resources, fruits resources and mountain and forest resources.

2. 三星口鄉 Sanxingkou Township is about 62 kilometers (kms) east of the centre of Qinglong Manchu Autonomous County and about 80 kms north of Qinhuangdao City. Its coordinates are 119° 23' 42"~119° 34' 12" longitude and 40° 22' 20"~40° 27' 58" latitude, and the altitude is between 290-780 meters above sea level. Neighboring towns and cities are Longwangmiao Township to the south, Gangou Township to the north, Mutoudeng Town to the west and Suizhong County to the east. The township people's government is in Sanxingkou village and governed about 11 villages with more than 13,000 people.

   The township has a temperate monsoon climate, spring drought, rainfall is mostly concentrated in the summer; autumn weather is sunny, cool day and warm night; winter cold, dry and some snow. The average annual temperature is 8.9°C, the extreme maximum temperature of 38.7°C, extreme minimum temperature of -29.2°C; annual average rainfall of 715.6mm; frost-free period is 152-170 days; and annual dominant wind direction is southwest.

3. On 31 January 2011, Shengyuan as the contractor entered into ten various 宜林(果)山地經營權流轉合同 Contracts on Circulation of Contract Management Right of Suitable Mountain for Afforestation (Fruit) with various owners i.e. Villagers' Committees who represented their respective villagers. A summary of the ten various contracts are as follows:

	發包方 Owner	承包方 Contractor	流轉地點 Location	流轉面積 Circulated Area (Chinese Mu)	流轉費 Circulation Fee * (RMB)
1.	三星口村村民委員會 Sanxingkou Village Villagers' Committees	Shengyuan	三星口村 Sanxingkou Village	7,415.49	5,116,688
2.	出頭石村村民委員會 Chutoushi Village Villagers' Committees	Shengyuan	出頭石村 Chutoushi Village	6,003.9	4,142,691
3.	龍頭村村民委員會 Longtou Village Villagers' Committees	Shengyuan	龍頭村 Longtou Village	12,610	8,700,900
4.	三道溝村村民委員會 Sandaogou Village Villagers' Committees	Shengyuan	三道溝村 Sandaogou Village	6,496.5	4,482,585
5.	谷杖子村村民委員會 Guzhangzi Village Villagers' Committees	Shengyuan	谷杖子村 Guzhangzi Village	5,636.2	3,888,978
6.	穆杖子村村民委員會 Muzhangzi Village Villagers' Committees	Shengyuan	穆杖子村 Muzhangzi Village	4,908	3,386,520
7.	東轉城號村村民委員會 Dongzhuanchenghao Village Villagers' Committees	Shengyuan	東轉城號村 Dongzhuanchenghao Village	2,869.1	1,979,679

	發包方 Owner	承包方 Contractor	流轉地點 Location	流轉面積 Circulated Area (Chinese Mu)	流轉費 Circulation Fee * (RMB)
8.	西轉城號村村民委員會 Xizhuanchenghao Village Villagers' Committees	Shengyuan	西轉城號村 Xizhuanchenghao Village	1,839	1,268,910
9.	李臺子村村民委員會 Litaizi Village Villagers' Committees	Shengyuan	李臺子村 Litaizi Village	9,052.6	6,246,294
10.	陶杖子村村民委員會 Taozhangzi Village Villagers' Committees	Shengyuan	陶杖子村 Taozhangzi Village	6,204.5	4,281,105
			Total	**63,035.29**	**43,494,350**

* A kind of ground rent calculated by a simple formula: a flat rate of RMB15 per Chinese Mu per annum x total circulated area x 46 years

Major terms and conditions of each contract are:

(i) The term of the contract is 46 years from 10 February 2011 to 10 February 2057.

(ii) The circulation fee is calculated on RMB 15 per Chinese Mu per annum basis and should be paid as a lump sum to the villagers.

(iii) The contractor has the right to terminate the contract should there exist a significant external environment which would cause negative impact to an investment. Under such circumstances, the owner will return to the contractor the residual of the circulation fee (on year basis).

(iv) The lump sum circulation fee also regarded as a compensation to all cultivations and agricultural assets that planted on the circulated areas.

(v) The contractor has the pre-exempt right to renew the contract upon the expiration of the existing term, but subject to the then market circulation fee.

(vi) The contractor once settled all the circulation fee should have the right to transfer, to let, to sub-contract and other kinds of circulation on the contract management right.

(vii) The contractor has the right to receive all the economic income to be generated from the subject circulated area, and the owner has no right to raise any suggestion.

(viii) During the term of contract, the contractor only allowed to conduct cultivation and agricultural-related operation on the subject circulated area.

(ix) The contractor has the right to use the existing road within the circulated area.

(x) The local villagers should have the pre-exempt right to be employed by the contractor.

From the copies of the contract, we noted that each of the owners promised to the contractor that the contractor would have the right to enjoy benefits from the relevant national and local privilege supporting policy to the agricultural or forestry projects, and that the owners shall have obligations to try their best to assist the contractor.

4. As advised by the Company, the Group's intended ecotourism business is regulated by 林資發【2003】139號 (國家林業局關於印發《佔用征用林地審核審批管理規范》的通知) promulgated by the State Forestry Administration of the PRC (the "**Notice**") under agricultural and forestry industries. According to the Notice, three percent of forest land can be used for self-built house or office. So long as the approval from the local government is granted upon application by the Group, the interests and rights to the use of the lands would be secured by the Notice and the revenant laws in the PRC which will not involve any breach of the existing user restrictions.

5. As advised by the Company's legal advisor, on 8 February 2011 the villagers of each Sanxingkou Village, Chutoushi Village, Longtou Village, Sandaogou Village, Guzhangzi Village, Muzhangzi Village, Dongzhuanchenghao Village, Xizhuanchenghao Village, Litaizi Village and Taozhangzi Village in Sanxingkou Township of Qinglong Manchu Autonomous County entered various 宜林(果)山地經營權流轉委託協議書 Trust Agreement on Circulation of Suitable Mountain for Afforestation (Fruit) Management Right with their respective Villagers' Committees or 農村經濟聯合社 Rural Economic United Co-operative Organisations. According to the agreements, the villagers agreed their respective Villagers' Committees or Rural Economic United Co-operative Organizations on their behalf to dealt with Shengyuan on those issues related to Contracts on Circulation of Contract Management Right of Suitable Mountain for Afforestation (Fruit), and the circulation of mountain management right is set for a term of 46 years from 10 February 2011 to 10 February 2057.

6. Pursuant to a master 林權證 Forest Rights Certificate issued by 青龍滿族自治縣林業局 Qinglong Manchu Autonomous County Forest Bureau dated 10 February 2011, and 23 various Forest Rights Certificates issued by 青龍滿族自治縣林業局 Qinglong Manchu Autonomous County Forest Bureau and all dated 14 April 2011, the legally interest party in the forest land use rights and the forest trees ownership together with their usage rights of the Forestlands in Sanxingkou Township, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province of the PRC is Shengyuan. Shengyuan is entitled to have the operating rights and forestry management rights of various parcels of forest land covering a total area of about 63,035.29 Chinese Mu till 10 February 2057. A summary of the 24 various Forest Rights Certificates are as follows:

	Forest Rights Certificate No.		**Area (Chinese Mu)**
	青林證字(2011)第000012號 Qinglinzhengzi (2011) Di 000012 Hao	Master	63,035.29
	Forest Rights Certificate Subject to the Master Certificate*	**Location**	**Area (Chinese Mu)**
1	青林證字(2011)第000021號 Qinglinzhengzi (2011) Di 000021 Hao	三星口鄉東轉城號村 Dongzhuanchenghao Village	1,586.30
2	青林證字(2011)第000024號 Qinglinzhengzi (2011) Di 000024 Hao	三星口鄉谷杖子村 Guzhangzi Village	1,908.70
3	青林證字(2011)第000026號 Qinglinzhengzi (2011) Di 000026 Hao	三星口鄉穆杖子村 Muzhangzi Village	4,567.50
4	青林證字(2011)第000028號 Qinglinzhengzi (2011) Di 000028 Hao	三星口鄉三星口村 Sanxingkou Village	3,481.04
5	青林證字(2011)第000027號 Qinglinzhengzi (2011) Di 000027 Hao	三星口鄉穆杖子村 Muzhangzi Village	340.50
6	青林證字(2011)第000035號 Qinglinzhengzi (2011) Di 000035 Hao	三星口鄉龍頭村 Longtou Village	24.00
7	青林證字(2011)第000019號 Qinglinzhengzi (2011) Di 000019 Hao	三星口鄉西轉城號村 Xizhuanchenghao Village	732.00
8	青林證字(2011)第000022號 Qinglinzhengzi (2011) Di 000022 Hao	三星口鄉東轉城號村 Dongzhuanchenghao Village	1,282.80
9	青林證字(2011)第000020號 Qinglinzhengzi (2011) Di 000020 Hao	三星口鄉西轉城號村 Xizhuanchenghao Village	21.00
10	青林證字(2011)第000016號 Qinglinzhengzi (2011) Di 000016 Hao	三星口鄉李臺子村 Litaizi Village	4,605.30
11	青林證字(2011)第000015號 Qinglinzhengzi (2011) Di 000015 Hao	三星口鄉陶杖子村 Taozhangzi Village	1,891.00

	Forest Rights Certificate Subject to the Master Certificate*	Location	Area (Chinese Mu)
12	青林證字(2011)第000014號 Qinglinzhengzi (2011) Di 000014 Hao	三星口鄉陶杖子村 Taozhangzi Village	4,313.50
13	青林證字(2011)第000038號 Qinglinzhengzi (2011) Di 000038 Hao	三星口鄉三星口村 Sanxingkou Village	1,134.35
14	青林證字(2011)第000039號 Qinglinzhengzi (2011) Di 000039 Hao	三星口鄉出頭石村 Chutoushi Village	2,653.40
15	青林證字(2011)第000034號 Qinglinzhengzi (2011) Di 000034 Hao	三星口鄉龍頭村 Longtou Village	6,892.00
16	青林證字(2011)第000025號 Qinglinzhengzi (2011) Di 000025 Hao	三星口鄉谷杖子村 Guzhangzi Village	18.00
17	青林證字(2011)第000023號 Qinglinzhengzi (2011) Di 000023 Hao	三星口鄉谷杖子村 Guzhangzi Village	3,709.50
18	青林證字(2011)第000033號 Qinglinzhengzi (2011) Di 000033 Hao	三星口鄉龍頭村 Longtou Village	5,694.00
19	青林證字(2011)第000031號 Qinglinzhengzi (2011) Di 000031 Hao	三星口鄉出頭石村 Chutoushi Village	3,350.50
20	青林證字(2011)第000029號 Qinglinzhengzi (2011) Di 000029 Hao	三星口鄉三星口村 Sanxingkou Village	2,800.10
21	青林證字(2011)第000013號 Qinglinzhengzi (2011) Di 000013 Hao	三星口鄉三道溝村 Sandaogou Village	6,496.50
22	青林證字(2011)第000018號 Qinglinzhengzi (2011) Di 000018 Hao	三星口鄉西轉城號村 Xizhuanchenghao Village	1,086.00
23	青林證字(2011)第000017號 Qinglinzhengzi (2011) Di 000017 Hao	三星口鄉李臺子村 Litaizi Village	4,447.30
	* *Certificate sequence followed the provided legal opinion*	**Total:**	**63,035.29**

7. The master Forest Rights Certificate 青林證字(2011)第000012號 Qinglinzhengzi (2011) Di 000012 Hao stated that the land area of 63,035.29 Chinese Mu is a projected area from the plan, and the actual land area should be at a ratio of 1:5 and became 315,176 Chinese Mu (i.e. approximately 210 sq. km.).

8. Pursuant to 23 various Certification Letters issued by 青龍滿族自治縣林業局 Qinglong Manchu Autonomous County Forest Bureau and all dated 14 April 2011, it certified that the land area stated in each of the above 23 Forest Rights Certificates is a projected area from the plan, and the actual land area should be at a ratio of 1:5.

9. According to the legal opinion as prepared by the Company's PRC legal adviser, the following opinions are noted:–

   (i) Save except some non-compliance of the existing rules and regulations in updating the registration of Shengyuan, Shengyuan has obtained all the necessary permits, certificates and approvals to perform its business under the laws in the PRC, and that, such permits, certificates and approvals still valid and effective.

   (ii) Shengyuan possessed the forest land use rights and the ownership of the forests comprising the Forestlands legally by way of circulation of contract management rights, and that the forest land came from 山地流轉 hilly field circulation. Shengyuan has the right to occupy, use, let, transfer or other ways to dispose the forest land use rights and forest ownership during the granted term.

   (iii) The Forestlands is not subject to other encumbrances that registered against the Forestlands.

10. We are advised that on 6 December 2012, through introduction by the Company, Shengyuan entered into the Letter of Intent with Beijing Wangbaochuan, a Beijing-based medium size developer which is experienced in similar forest land projects, for jointly by develop a holiday resort project in the Forestlands. Pursuant to the Letter of Intent, the holiday resort project will consist of approximately 600 blocks of villa. Beijing Wangbaochuan will fund all of the construction and development costs while Shengyuan will provide the Forestlands. It is intended that Shengyuan and Beijing Wangbaochuan will share the gross floor area of the completed holiday resort in the percentage of 30% and 70% upon completion.

    Save for the Letter of Intent mentioned above, we are advised by the management of the Company that there did not have any plan for construction, renovation, improvement or development of the Forestlands, and no estimated associated costs could be provided.

The following is the text of a report prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 31 December 2012 of the biological assets in the Forestlands.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards 2011 and published by the International Valuation Standards Council. The standards entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. This report is prepared and signed off in English format, translation of this report in language other than English should not be regarded as a substitute for this report. Translation of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusion.

12 March 2013

17th Floor, Champion Building
287 – 291 Des Voeux Road
Central
Hong Kong

The Board of Directors
Heritage International Holding Limited
29th Floor, China United Centre
No.28 Marble Road
North Point
Hong Kong

Dear Sirs,

In accordance with the instructions given to us by the management of Heritage International Holding Limited (hereinafter referred to as the "Company"), we have conducted an agreed-upon procedures service to estimate the possible fair value of a designated biological asset i.e. inventory of identified standing fruit trees (hereinafter referred to as the "Subject Asset") separately from a bundle of

Forestlands (hereinafter referred to as the "Forestlands") presented to us and held by 盛源(天津)投資管理服務有限公司 Shengyuan Investments Management Services (Tianjin) Co., Ltd. (hereinafter referred to as "Shengyuan") at Sanxingkou Township, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province of the People's Republic of China (hereinafter referred to as the "PRC" or "China") as at 31 December 2012 (hereinafter referred to as the "Valuation Date") for the Company's financial reporting purpose – apportionment of values only.

We confirm that we have carried out sampling visual inspection and made relevant inquiries necessary to complete our work. In arriving at our apportionment of values, we have based the tree species and the quantities of the Subject Asset solely on a set of documents provided by the management of the Company and/or Shengyuan.

We understand that the management of the Company will use our work product as part of its business diligence and we have not been engaged to make specific sale or purchase recommendations or to give opinion on financing arrangement. We further understand that the management of the Company will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision. Our work is designed solely to provide information that will give the management of the Company a reference to form part of its internal business due diligence in preparing its financial statements in accordance with the relevant Hong Kong Financial Reporting Standards (HKFRS), and our work should not be the only factor to be considered by the management of the Company.

INSTRUCTIONS

In this engagement, we were retained to analyse and conduct an agreed-upon procedures service to value the possible fair value of the Subject Asset with an aim to enable the Company to apportion the value of the Subject Asset from the reported market value of the Forestlands separately as at the Valuation Date for the Company's financial reporting purpose.

The term "Fair Value" for financial reporting purpose is defined by the IFRS 13, which the HKFRS 13 follows, as "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" (i.e. an exit price). Same definition has been adopted in the International Valuation Standards 2011 (hereinafter referred to as the "IVS") and published by the International Valuation Standards Council for financial reporting purpose.

However, we need to state that the fair value reported in this summary report is subject to a set of special assumptions that the Subject Asset could be sold in the market which is not the case at the Valuation Date. In theory, before obtaining any licenses and approvals from the relevant authorities on out planting, cutting, logging, transplanting or selling the Subject Asset on piecemeal basis (hereinafter "the Relevant Licenses and Approvals"), the Subject Asset should not have commercial value as of the Valuation Date. However, the management of the Company advised that the Relevant Licenses and Approvals are not unobtainable. At the instruction of the Company for the purpose of financial reporting, we have, followed a set of agreed-upon procedures as agreed with the management of the Company prior to commence our work, to value the possible fair value of the Subject Asset for apportionment of value between the Forestlands and identified biological assets planted thereon basing on the special assumptions that the Relevant Licenses and Approvals had been obtained as of the Valuation Date. The use of special assumptions and the resulted possible fair value complied with the IVS 103 Reporting of the IVS.

AGREED-UPON PROCEDURES ADOPTED

In conducting the engaged valuation services, like apportionment of value of building element from a strata-title flatted residential unit, we have adopted the following procedures which were agreed with the management of the Company before the engagement. They were:

- to base on the instruction from the appointed personnel of the Company and to rely solely on the specification as shown in the Investigation Report (to be defined later in the report) provided by the appointed personnel of the Company;

- to prepare and submit list(s) of required document and information regarding the Subject Asset during the course of valuation. The completeness of the valuation depends on the availability of the required information being supplied by the management of the Company;

- to hold discussions with relevant personnel and to review various documents such as Forest Right Certificates and other relevant documents to better understand the Subject Asset;

- to base on the inspection record that conducted in late June 2012. It is understand that our previous inspection was not to create an error free assets schedule or to conduct inventory taken or to have a full scope investigation of any improvements that planted or built on the Forestlands. The inspection was only designed to let the valuer to have a better understanding on the general environs of the Forestlands but not to the Subject Asset. No forest sources survey or on-site measurement will be conducted and no inventory taking will be conducted by us;

- to conduct appropriate research/consultation in order to obtain sufficient market information to support our valuation. The scope of research/consultation is at the valuer own discretion;

- to conduct valuation of the Subject Asset on "as-is, where-is" basis on a set of special assumptions that the Subject Asset could be sold in the market with appropriate standards and approach to value as at the Valuation Date based on the information provided to us; and

- to document our findings and conclusion in our appraisal report and prepare a summary report for incorporation into a circular for the Company's shareholders' reference.

We conducted our sampling inspection of the Forestlands which the Subject Asset was planted in late June 2012. Our inspection was not designed to verify the specification and the quantities of the Subject Asset standing on the Forestlands as at the Valuation Date.

ENGAGEMENT TEAM AND RESPONSIBILITIES

The engagement team consisted of the following persons, with individual project responsibilities as shown:

- Joseph C. Ho, Registered Professional Surveyor (General Practice)

  Project Responsibilities – Project Coordinator, develop task assignments and report review.

- Rolando Arcaya, ASA

  Project Responsibilities –Team Leader, review valuation model and participate in report preparation.

- Brian Yu, Analyst

  Project Responsibilities – conduct site visit and operational assessment, review Investigation Report, and construct valuation model.

- Terry Fung, Graduate Surveyor

  Project Responsibilities – conduct site visit and operational assessment.

- Zhao Wei, Researcher

  Project Responsibilities – conduct market research

Members of the engagement team possessed necessary qualifications and similar experiences in providing the subject valuation services.

EXPERTISE OTHER THAN VALUATION USED IN THIS ENGAGEMENT

The completion of this valuation depends on the expertise of a forestry professional in identifying the tree species and estimating their quantities. Since we are not forestry professionals and that we are not authorised person to conduct Forestlands survey or are restricted from possessing detailed maps and global positioning system (GPS) readings in China, we have, at the instructions of the Company, relied on a copy of an existing status of forest resources and its development potential investigation report (a land use report on forestry and hereinafter referred to as the "Investigation Report") prepared by 河北省林業調查規劃設計院 (translated as Forest Survey and Planning Institute of Hebei Province and hereinafter referred to as the "Forest Survey Team") who are licensed forestry professional and consultant in China commissioned specifically by the Company for the purpose of this valuation. We are given to understand that the forestry consultant is an independent third party to the Company.

Based on the information introduced by the Forest Survey Team, we noted that the Forest Survey Team is a legal entity which is responsible for management and monitoring, research and development, survey and inspection, and investigation of the local forest resources, wood production and trading activities in Hebei Province.

Note: The information provided in this report relating to the basic information of Qinglong Machu Autonomous County is derived in part or extracted or referred to from various official and unofficial sources. The official sources include various quasi-governmental or governmental websites (such as www.chinaqinglong.gov.cn). The unofficial sources include information provided by various websites (include baike.baidu.com and zh.wikipedia.org). We need to state that such official and unofficial information have not been prepared or independently verified by us, and may not be consistent with other information complied within or outside China. None of our staff involved in preparing this report make any representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied upon. The readers should conduct his/her due diligence with regard to the correctness and accuracy of such information for his/her own use. Unless otherwise stated, the copyrights belongs to the relevant publishers/authors, under no circumstances, the readers are encouraged to infringe the copyrights of the said publishers/authors.

BRIEF INFORMATION OF QINGLONG MANCHU AUTONOMOUS COUNTY (SEE NOTE)

Qinglong Manchu Autonomous County (in Chinese: 青龍滿族自治縣) is a Manchu autonomous county of northeastern Hebei Province, bordering Liaoning to the north and east and located in the eastern part of the Yan Mountains. Counties bordering Qinglong Manchu Autonomous County are Lingyuan and Jianchang (Liaoning) to the north, Suizhong (Liaoning) to the east, Qianan and Lulong to the south and Kuancheng Manchu Autonomous County and Qianxi to the west. It is situated within the Beijing-Tianjin-Tang-Qin Economic Circle and Bohai Economic Circle. It is 250 kilometers away from Beijing, 265 kilometers away from Tianjin, 480 kilometers away from Shijiazhuang, 118 km away from Qinhuangdao city, 145 kilometers away from the urban area of Tangshan, and 160 kilometers away from Chengde City. It is under the administration of Qinhuangdao City and has a population of 541,000 residing in an area of 3,510 sq. km.

Presently, the county is divided into eleven towns, fourteen townships, 396 villages and 4 residents' committees. The county has a northern temperate humid continental monsoon climate, with four distinct seasons, abundant sunshine, average temperature of 8.9°C, average annual rainfall of 716 mm, and the annual frost-free period of 162 days. The county considered it has rich mineral resources, fruits resources and mountain and forest resources.

三星口鄉 Sanxingkou Township is about 62 kilometers (kms) east of the centre of Qinglong Manchu Autonomous County and about 80 kms north of Qinhuangdao City. Its coordinates are 119° 23' 42" ~ 119° 34' 12" longitude and 40° 22' 20" ~ 40° 27' 58" latitude, and the altitude is between 290-780 meters above sea level. Neighboring towns and cities are Longwangmiao Township to the south, Gangou Township to the north, Mutoudeng Town to the west and Suizhong County to the east. The township people's government is in Sanxingkou village and governed about 11 villages with more than 13,000 people.

The township has a temperate monsoon climate, spring drought, rainfall is mostly concentrated in the summer; autumn weather is sunny, cool day and warm night; winter cold, dry and some snow. The average annual temperature is 8.9°C, the extreme maximum temperature of 38.7°C, extreme minimum temperature of -29.2°C; annual average rainfall of 715.6mm; frost-free period is 152-170 days; and annual dominant wind direction is southwest.

DESCRIPTION OF THE SUBJECT ASSET

We are given to understand that the Subject Asset is currently held by Shengyuan in various locations in Sanxingkou Township, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province of the PRC. Shengyuan is a wholly-foreign owned enterprise and incorporated in the PRC with limited liability (for details, the readers should read the legal opinions provided by the management of the Company).

Based on the information provided to us, we understand that Shengyuan is holding a master and 23 various Forest Rights Certificates for the operating rights and forestry management of the Forestlands covering an area of about 63,035.29 Chinese Mu till 10 February 2057.

The details of the Forestlands are as follows:

	Forest Rights Certificate No.		**Area (Chinese Mu)**
	青林證字(2011)第000012號 Qinglinzhengzi (2011) Di 000012 Hao	Master	63,035.29

	Forest Rights Certificate Subject to the Master Certificate*	**Location**	**Area (Chinese Mu)**
1	青林證字(2011)第000021號 Qinglinzhengzi (2011) Di 000021 Hao	三星口鄉東轉城號村 Dongzhuanchenghao Village	1,586.30
2	青林證字(2011)第000024號 Qinglinzhengzi (2011) Di 000024 Hao	三星口鄉谷杖子村 Guzhangzi Village	1,908.70
3	青林證字(2011)第000026號 Qinglinzhengzi (2011) Di 000026 Hao	三星口鄉穆杖子村 Muzhangzi Village	4,567.50
4	青林證字(2011)第000028號 Qinglinzhengzi (2011) Di 000028 Hao	三星口鄉三星口村 Sanxingkou Village	3,481.04
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9	青林證字(2011)第000020號 Qinglinzhengzi (2011) Di 000020 Hao	三星口鄉西轉城號村 Xizhuanchenghao Village	21.00
10	青林證字(2011)第000016號 Qinglinzhengzi (2011) Di 000016 Hao	三星口鄉李臺子村 Litaizi Village	4,605.30
11	青林證字(2011)第000015號 Qinglinzhengzi (2011) Di 000015 Hao	三星口鄉陶杖子村 Taozhangzi Village	1,891.00
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	Forest Rights Certificate Subject to the Master Certificate*	Location	Area (Chinese Mu)
13	青林證字(2011)第000038號 Qinglinzhengzi (2011) Di 000038 Hao	三星口鄉三星口村 Sanxingkou Village	1,134.35
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15	青林證字(2011)第000034號 Qinglinzhengzi (2011) Di 000034 Hao	三星口鄉龍頭村 Longtou Village	6,892.00
16	青林證字(2011)第000025號 Qinglinzhengzi (2011) Di 000025 Hao	三星口鄉谷杖子村 Guzhangzi Village	18.00
17	青林證字(2011)第000023號 Qinglinzhengzi (2011) Di 000023 Hao	三星口鄉谷杖子村 Guzhangzi Village	3,709.50
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19	青林證字(2011)第000031號 Qinglinzhengzi (2011) Di 000031 Hao	三星口鄉出頭石村 Chutoushi Village	3,350.50
20	青林證字(2011)第000029號 Qinglinzhengzi (2011) Di 000029 Hao	三星口鄉三星口村 Sanxingkou Village	2,800.10
21	青林證字(2011)第000013號 Qinglinzhengzi (2011) Di 000013 Hao	三星口鄉三道溝村 Sandaogou Village	6,496.50
22	青林證字(2011)第000018號 Qinglinzhengzi (2011) Di 000018 Hao	三星口鄉西轉城號村 Xizhuanchenghao Village	1,086.00
23	青林證字(2011)第000017號 Qinglinzhengzi (2011) Di 000017 Hao	三星口鄉李臺子村 Litaizi Village	4,447.30
	* *Certificate sequence followed the provided legal opinion*	**Total:**	**63,035.29**

Based on the Investigation Report provided to us, the Subject Asset comprises of three main areas by orientation. They are:

- West: 4 villages comprising of Chutoushi, Dongzhuaichenghao, Xizhuaichenghao, and Sanxingkou with a total area of 18,127.73 Chinese mu

- North: 4 villages comprising of Guzhangzi, Muzhangzi, Taozhangzi, and Sandaogou, with a total area of 23,244.92 Chinese mu

- South: 2 villages comprising of Longtou, and Litaizi, with a total area of 21,662.64 Chinese mu

The master Forest Rights Certificate stated that the land area of 63,035.29 Chinese mu is a projected area, and the actual land area should be at a ratio of 1:5 and became 315,176 Chinese mu.

THE SUBJECT ASSET – TREE SPECIES

According to the Investigation Report, the Subject Asset comprises various parcels of generally hilly sloping land planted with various timber and fruit trees. Analysis provided in the Investigation Report estimated that of the total 63,035.29 Chinese mu about 39,524.21 Chinese mu are classified as 有林地 (land with forest), about 16,644.44 Chinese mu are classified as 宜林地 (suitable land for forest), about 1,327.89 Chinese mu are classified as 未成林 (afforested land), and about 5,538.75 Chinese mu are classified as 灌木林, 疏林 (wood and shrub land).

The areas planted with various fruit trees are broken down to about 33,653.66 Chinese mu planted with apricot trees 杏樹, about 5,341.15 Chinese mu planted with hawthorn trees 山楂樹, about 990.65 Chinese mu planted with chestnut trees 板栗樹, and about 586.08 Chinese mu planted with pear trees 梨樹. According to the advice given by the Forest Survey Team via the appointed personnel of the Company, there are others tree species growing on the remaining areas of the Forestlands, but they are considered as no significant economic value.

Based on our observations during our inspection and the subsequent discussions with the appointed personnel of the Company, we understand that there is presently no centralised management of the plantation of the Subject Asset and that the farmers manage and operate their respective area on their own.

The apricot trees are small trees, however, they are a rapidly growing tree with a short life span. They could reach a maximum height of about 10m with a trunk up to 40 cm in diameter and have a dense, spreading canopy width of about the same dimension. Apricot trees grow rapidly, which is probably in relation to their comparatively short life of 20 to 30 years. Growth is rapid enough that apricot trees are capable of bearing fruit by their second or third year. The rapid growth does not require extensive pruning, only shaping to maximise fruit production.The fruit is a drupe similar to a small peach, 1.5–2.5 cm diameter (larger in some modern cultivars), from yellow to orange, often tinged red on the side most exposed to the sun; its surface can be smooth (botanically described as: glabrous) or velvety with very short hairs (botanically: pubescent). The flesh is usually firm and not very juicy. Its taste can range from sweet to tart. The single seed is enclosed in a hard, stony shell, often called a “stone”, with a grainy, smooth texture except for three ridges running down one side.

There are more than 200 different species of hawthorn trees in the world; most of these are very difficult to tell apart and even professional foresters place them into a group and do not try to determine the exact species. Hawthorn trees grow in several parts of the world including: Europe, The Middle East, Asia, Africa, North America and The Mediterranean. The tree thrives in temperate conditions and in most soils, including alkaline. The hawthorn also prospers in full or partial sun, though it prefers growing environments that don't experience extreme conditions. Hawthorn trees are especially popular in the world of herbal medicine. One of the species called Crataegus pinnatifida, also known as Chinese hawthorn, Chinese Hawberry, or shan zha, it is a small, deciduous tree from northern China. This 15 to 20 foot tree with a 10 to 15 foot spread has great charm even though it is hardly known. Chinese hawthorn is a very ornamental small tree, and they can live for over 400 years and have the capacity to flower twice a year, though this obviously depends on weather conditions. Seedling trees take from 5-8 years before they start bearing fruit.

Chestnut trees are of moderate growth rate (for the Chinese chestnut tree) to fast-growing for American and European species. Their mature heights vary from the smallest species of chinkapins, often shrubby, to the giant of past American forests, Castanea dentata that could reach 60 m. In between these extremes are found the Japanese chestnut (Castanea crenata) at 10 m average; followed by the Chinese Chestnut (Castanea mollissima) at about 15 m, then the European chestnut (Castanea sativa) around 30 m. Chestnut trees are exceptionally long lived. Trees in Europe are reported to reach over 1,000 years old. The natural life expectancy is in the range of 200-800 years. The nut output peaks at 35-50 years. The fruit is contained in a spiny (very sharp) cupule 5-11 cm in diameter, also called "bur" or "burr". The burrs are often paired or clustered on the branch and contain one to seven nuts according to the different species, varieties and cultivars. Around the time the fruits reach maturity, the burrs turn yellow-brown and split open in 2 or 4 sections. They can remain on the tree longer than they hold the fruit, but more often achieve complete opening and release the fruits only after having fallen on the ground; opening is partly due to soil humidity. The chestnut fruit has a pointed end with a small tuft at its tip (called "flame" in Italian), and at the other end, a hilum – a pale brown attachment scar.

The pear tree is a medium-sized tree, reaching 10-17 m tall, often with a tall, narrow crown; a few species are shrubby. Most pears are deciduous, but one or two species in southeast Asia are evergreen. Most are cold-hardy, withstanding temperatures between -25°C and -40°C in winter, except for the evergreen species, which only tolerate temperatures down to about -15°C. Like that of the related apple, the pear fruit is a pome, in most wild species 1-4 cm diameter, but in some cultivated forms up to 18 cm long and 8 cm broad; the shape varies in most species from oblate or globose, to the classic pyriform "pear-shape" of the European pear with an elongated basal portion and a bulbous end. Generally, fruiting pear trees that are grown in orchards produce fruit for 30 to 40 years. After 40 years, even if the tree is producing fruit, the fruiting pear tree should be replaced. Once pear trees grow older than 40 years, they would face risk of bacterial infections and root rot.

ESTABLISHMENT OF TITLES

The management of the Company provided us copies of documents to support that the legally interested party in the Subject Asset (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. Any responsibility for our misinterpretation of the documents cannot be accepted. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Subject Asset valued.

Our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Subject Asset from the relevant authorities. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Subject Asset.

We have been provided with a copy of a PRC legal opinion dated 17 October 2012 and prepared by King and Wood Mallesons (the "Legal Opinion") as evidences to support Shengyuan's title in the Subject Asset. We are advised by the Company that the legal opinion is prepared by lawyers qualified to practice in China and are provided to us for reference with regard to the title of the Subject Asset. As agreed before the engagement, we have relied solely on such legal opinion to provide our analysis and conclusion of value, and no verification from our part could be made. Thus, no responsibility or liability is assumed from our part in relation to the legal opinions.

The Legal Opinion opined that Shengyuan possessed the forest land use rights and the ownership of the forests comprising the Forestlands legally by way of contract management rights transfer, and that the Forestlands came from 山地流轉 hilly field circulate. Shengyuan has the right to occupy, use, let, transfer or other ways to dispose the forest land use rights and forest ownership of the Forestlands during the granted term. The readers are reminded to have their own legal due diligence work on the titles and encumbrances (if any) registered against the Forestlands or the Subject Asset. No responsibility or liability is assumed.

SPECIAL ASSUMPTIONS

Unless otherwise stated, our valuation has been made on a set of special assumptions, as at the Valuation Date, that:

1. the legally interested party in the Subject Asset sells the Subject Asset in its highest and best form in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Subject Asset;

2. the legally interested party in the Subject Asset has free and uninterrupted rights to assign the interests (a part of or the whole of) for the whole of the unexpired terms as granted and any premiums payable have already been fully paid;

3. all required licenses, certificates, consents, or other legislative or administrative authority to dispose of the Subject Asset from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in our report are based;

4. the Subject Asset, as required under the relevant accounting standards, can be freely disposed, outplanting and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government; and

5. the legally interested party in the Subject Asset has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, insects and soil erosion) to the sale of the Subject Asset and the proper usage of the Subject Asset.

Should the special assumptions be removed from our valuation, it will have adverse and significant impact to the reported value. We need to state that the adopted special assumptions have been made in accordance with the instruction from the appointed personnel of the Company to serve the Company's financial reporting purpose - apportionment of values only, but not to express any commercial value of the Subject Asset.

FACTORS CONSIDERED IN THE VALUATION

Unless otherwise stated, the valuation of the Subject Asset has taken account of a numbers of pertinent factors affecting the Subject Asset and its ability to generate value to Shengyuan. The factors considered in the valuation included, but were not limited to, the following:

- the nature and the characteristics of the Subject Asset;
- the present use of the Subject Asset;
- the forestry industry in China and the world as a whole;
- the capability of Shengyuan or its associates or contractors to execute any sales activities of the Subject Asset if required; and
- the risks facing the Subject Asset.

INSPECTION AND INVESTIGATION OF THE SUBJECT ASSET

In late June 2012, we have, where possible, conducted limited scope sampling visual inspection of the Forestlands which the Subject Asset was planted on in respect of which we have been provided with such information as we have requested for the purpose of our valuation. During the visit, the inspection team was accompanied by the management of the Company and their local staffs. Due to physical barrier, we were unable to conduct detail due diligence on the occupation status of the Forestlands, and thus relied solely on the information provided by the management of the Company and its appointed personnel on site. No verification from our part is assumed.

Due to the agreed-upon procedures basis, we were unable to inspect those assets which were covered, unexposed or inaccessible or not being arranged for inspection. We cannot express an opinion about or advice upon the condition of the Subject Asset and this summary report should not be taken as making any implied representation or statement about the conditions of the Subject Asset. No structural survey, investigation, conditional survey, counting, test or examination has been made to the Subject Asset, but in the course of our limited scope visual inspection to the Forestlands we did not note any serious defects in the asset inspected. We are not, however, able to report that the Subject Asset is free from rot, insect, infestations or any other defects. No tests were carried out to the soil and services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no illegal usage and unauthorised plantation, outplanting, transplant, extension or addition has been made to the land on which the Subject Asset is situated, i.e. the Forestlands and that the use of our report does not purport to be a full scope conditional survey of the Subject Asset. If the management of the Company or interested party in this summary report is proposing to purchase the Subject Asset and wants to satisfy them as to the condition of it, then they should obtain a third party surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

The purpose of our inspection was not to create an error free assets schedule or to have a full scope investigation on the quantity and the quality of the Subject Asset; rather, it was designed to give us a better understanding of the Subject Asset on a sampling basis. No responsibility or liability is assumed.

We have not carried out on-site measurements to verify the correctness of the dimensions, specifications and areas of the Subject Asset, but have assumed that the figures shown on the documents and handed to us are correct. All dimensions, measurements, specifications and areas are approximations.

Verification work on site only performed on when and where appropriate bases, and without violating the laws and regulations in China. According to the rules and regulations in China, foreigners including citizens from Hong Kong are not allowed to use any form of GPS (Global Positioning System)-related equipment and large scale maps in China. The management of the Company or interested party in the Subject Asset should conduct their own due diligence work to the Subject Asset.

Our instructions and the agreed procedures to value did not include an independent land survey to verify the legal boundaries and the exact locations of the Subject Asset. Therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries and location of the Subject Asset that appeared on the documents handed to us and advised by the Company's appointed personnel. The management of the Company or interested party in the Subject Asset should conduct their own legal boundaries due diligence work.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the subject land and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been assumed that no contaminative or potentially contaminative uses have ever been carried out in the Forestlands. We have not carried out any investigation into past or present uses, either of the said assets or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the Forestlands from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the Forestlands or on any neighbouring land, or that the Forestlands has been or is being put to a contaminative use, this might reduce the value reported.

We have been instructed by the Company to rely on the tree species and the quantities of trees recorded in the Investigation Report as of the Valuation Date in conducting our valuation. We have also referenced our observations and data gathered during our inspection in preparing this valuation.

APPROACH TO VALUE

In the process of valuing the Subject Asset, we have considered the three generally accepted asset appraisal approach to value, namely the Comparable Sales Approach, the Income Approach and the Cost Approach.

The *Comparable Sales Approach* considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The *Income Approach* is the present worth of the future economic benefits of ownership. This approach is generally applied to assets where there is an established and identifiable economic benefits market such as rental income or royalty income or to an aggregation of assets in an entire business enterprise/project including working capital and tangible and intangible assets.

The *Cost Approach* considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, cutting, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age, functional and economic/external obsolescence.

Based on the conventional and industry practice to value inventory of standing trees, the market-based Comparable Sales Approach has been adopted in valuing the Subject Asset. This method uses the present fair value in terms of price per tree as basis for coming up with the estimated value. The underlying theory of this approach is existing market price is dependable parameter since it reflects how much the buyer is willing to pay and how much the seller is willing to give up his goods and services.

We have used the following formula to arrive at the estimated fair value of the Subject Asset (for illustration purpose):

$$\mathbf{FV = \Sigma (T*P)}$$

Where:

FV = Fair value

T = Number of each tree species

P = Market price of each tree species

The valuation method is limited to the following basic assumptions:

- That the end product or the market being assessed are for inventory of standing trees;
- The T considered in our valuation is based on the Investigation Report as at the Valuation Date and agreed with the Company; and
- The prices for each tree species are homogenous and the average price for each species was used as valuation basis. We have also factored in the age and height of the various tree species as provided in the Investigation Report.

Prices for each species were taken from our on-site research and interview, official construction cost journals, local practitioners, and forestry products industry information in China from various websites in the public domain. No allowances for transportation were considered as these costs are normally paid for by the buyer. However, the referenced prices adopted are after allowance for the uprooting and loading.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Subject Asset. Also, unless otherwise disclosed in this summary report, no allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Subject Asset. Unless otherwise stated, it is assumed that the Subject Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

However, we need to state that the fair value reported in this summary report is subject to a set of special assumptions that the Subject Asset could be sold in the market which is not the case at the Valuation Date. In theory, before obtaining any licenses and approvals from the relevant authorities on out planting, cutting, logging, transplanting or selling the Subject Asset on piecemeal basis, the Subject Asset should not have commercial value as of the Valuation Date. However, the management of the Company advised that the Relevant Licenses and Approvals are not unobtainable. At the request of the Company for purpose of financial reporting, we have, followed a set of agreed-upon procedures as agreed with the Company prior to commence our work, to value the possible fair value of the Subject Asset for apportionment of value between land and biological assets planted thereon basing on the special assumptions that the Relevant Licenses and Approvals had been obtained as of the Valuation Date.

To the best of our understanding and after inquired the management of the Company, we are unable to identify any adverse news against the Subject Asset which may affect the reported value in our report as at the Valuation Date. Thus, we are not in the position to report and comment on its impact (if any) to the Subject Asset. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

As the instruction given to us was to rely on the Investigation Report as at the Valuation Date, we are unable to ascertain the reasonableness of the tree species and the quantities shown in the Investigation Report. Any significant changes in the tree species and the quantities will affect the value reported and we assume no responsibility on this matter.

There are a number of factors that influence the prices of various tree species apart from seasonal price fluctuations. These factors may affect the size and quality of product, the market prices of the product and other external factors. They are:

Presence of natural defects in the tree

Presence of internal and external defects on the trees also affects the quality and size of the trees. These factors may be brought by natural (pests and diseases) and physical causes (damage).

Defects of the trees come in many forms, these are:

- **Physical defects** – which is brought about by handling of trees in different stage of transplanting; and

- **Rot** – Rots, moisture availability is a factor that increases the risk of rot. Fungal growth and infection are dependent on these factors.

Calamities

Strong winds brings with it increases risk of damage and mortality of the trees.

Time

The price of the trees is estimated using its current prices, which is only suitable for the present. While the market prices would be different based on the market demand, trends, costs, interest rates and time value of money, we did not allow for these factors due to lack of reliable data to forecast these changes.

Theft of trees

No preventive measures advice is sought from Shengyuan, and we made no comments on this factor.

Buyers' preference

Most buyers prefer trees grow in good shape and appearance and with suitable diameter measurements which could reflect the harvest yield. In taking this into consideration, we have adopted reasonable price adjustment between the age and size of the tress in our valuation, if appropriate.

The scope of our valuation has been determined with reference to the documents provided by and instruction given by the management of the Company.

SOURCES OF INFORMATION AND VERIFICATION

For the purpose of this valuation, we were furnished with various copies of documents (including the Investigation Report as at the Valuation Date) related to this appraisal and these copies have been referenced without further verifying with the relevant bodies and/or authorities. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company. No responsibility is assumed. Having said that, we understood that the management of the Company obtained a PRC legal opinion prepared by a qualified PRC legal adviser to satisfy their requirements.

In the course of valuation, we have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, locations, tree species, quantities, easements, tenure, occupation, specifications, site areas and all other relevant matters.

Our procedures to value did not include undertaking a feasibility study of the proposed development of the Subject Asset. Accordingly we do not express an opinion as to the merit or demerit of any future development plan (if any).

Our engagement did not include an independent forest survey to verify the information provided. We need to state that we are not in the forest survey profession, therefore, we are not in the position to verify or ascertain the correctness with regard to the information provided. No responsibility is assumed.

We are not contracted to conduct a due diligence to review the existing forestry industry in China. In the course of appraisal, we have solely depended on the advices given by the management of the Company and its legal advisor and the forestry professional as named in this summary report. We are unable to accept any responsibility for the reliability of the advices.

When we adopted the work products from other professions, external data providers and/or the management of the Company in our valuation, the assumptions and caveats adopted by them in arriving at their opinions also applied in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

Unless otherwise stated, the base currency of our report is Renminbi Yuan (“RMB”).

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. Our analysis and appraisal are based upon full disclosure between us and the management of Company of material and latent facts that may affect the appraisal. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

OPINION OF VALUE

Based on the investigation, analysis, stated special assumptions, assumptions, limitations, reasoning and data outlined as above, and on the appraisal method employed, it is our opinion that as of the Valuation Date the possible fair value of the Subject Asset (before taking into consideration any transaction costs) was reasonably stated by the amount of RENMINBI FIFTY SEVEN MILLION YUAN ONLY (RMB57,000,000).

The readers are reminded that our opinion of value was estimated under the special assumption that the Relevant Licenses and Approvals were obtained as at the Valuation Date and subject to other special assumptions as detailed on pages V-10 and 11. Should the special assumptions be removed, we are of the opinion that the Subject Asset has no commercial value as at the Valuation Date. We are unable to obtain available parameters from the management of the Company to conduct a sensitivity analysis on the possible fair value. There are risks existed in relation to the possible fair value and the special assumptions as stated in the report.

LIMITING CONDITION OF THIS SUMMARY REPORT

This summary report is provided strictly for the sole use of and valid to the instructing party. Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this circular for the Company's shareholders' reference.

Our opinion of value in this summary report is valid only for the stated purpose and only for the Valuation Date. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this summary report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

It is agreed that the Company and the instructing party are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The concluded value in our report is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, especially the special assumptions, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the appraisal, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the guidelines as contained in the IVS. The valuation has been undertaken by valuer, acting as external valuer (see End Note), qualified for the purpose of the valuation.

We retain a copy of this summary report and detailed report in our files, together with the data from which it was prepared. These data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of our report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the instructing party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the Subject Asset, the Company and Shengyuan.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Ho Chin Choi, Joseph *BSc PGDip MSc RPS(GP)*
Managing Director

Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Madagascar, Kazakhstan, Germany, Poland, Scotland, Argentina, Brazil, Guyana, Venezuela, Canada and the United States of America for various purposes since 1988. He obtained the Examination Certificate of the Uniform Standards of Professional Appraisal Practice issued by the American Society of Appraisers in 1996. He has extensive experience in the valuation of various types of intangible assets and power plants, toll road, health products and foodstuffs, minerals, agricultural property assets (including biological assets since 2006), financial services, luxurious consumer goods, pharmaceutical and biotechnology, electronic consumer products manufactory, telecommunication, media and information technology related businesses for the listed companies in Hong Kong, Taiwan, mainland China, Singapore, Malaysia, the United Kingdom, Canada and the United States of America. At present, he is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors (HKIS). He was the speaker of a HKIS CPD Seminar titled – Forest Resources Valuation: Principles and Applications organized by the HKIS in September 2011.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Name of Director	Number of Shares (long position)	Nature of interest and capacity	Percentage of total issued share capital as at Latest Practicable Date
Kwong Kai Sing, Benny	1,269,496	Beneficial owner	0.07%
Ong Peter	706,530	Beneficial owner	0.04%
Wu Jian	25,000,000	Beneficial owner	1.33%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

Since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up, none of the Directors or proposed Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

In addition, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group taken as a whole.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

6. LITIGATIONS

As at the Latest Practicable Date, there is no litigation or claims of material importance pending or threatened against any member of the Enlarged Group.

7. EXPERTS AND CONSENTS

The following sets out the qualifications of the professional advisers who have given opinion or advice contained in this circular:

Name	**Qualification**
Graham H. Y. Chan & Co	Certified Public Accountants (Practising)
LCH	Professional surveyor

Each of LCH and Graham H. Y. Chan & Co has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of LCH and Graham H. Y. Chan & Co had: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2012, the date to which the latest published audited financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

(a) a conditional agreement dated 4 May 2011 entered into between Power Global Limited ("**PGL**", a wholly-owned subsidiary of the Company), the Company, Nation Wealth Holdings Limited and Dragonite International Limited in relation to, amongst other things, the sale and purchase of the entire share capital of Central Town Limited at a consideration of HK$117 million. Further details of the transaction were set out in the announcement and circular of the Company dated 11 May 2011 and 10 June 2011, respectively;

(b) the options agreement dated 8 August 2011 entered into between PGL and Nation Wealth Holdings Limited ("**NWHL**'") in relation to the grant of options to sell and purchase the entire share capital of Apex Corporate Investments Limited ("**APC**"). Such option is exercisable within a period of five years from the date of the options agreement. If the audited consolidated statement(s) of comprehensive income of APC and its subsidiary/ subsidiaries (together, the "**APC Group**") for the year ended 31 March 2012 or any accounting period subsequent thereto has not been released and issued at the time of exercise of the option, the exercise price of the option will be HK$25 million. If the audited consolidated statement(s) of comprehensive income of the APC Group for the year ended 31 March 2012 or any accounting period subsequent thereto has been released and issued, the exercise price of the option will be the higher of (i) HK$25 million or (ii) the lower of 10 times EBITDA or HK$75 million if NWHL wishes to acquire APC from PGL. If PGL were to exercise the option to sell APC to NWHL and the audited consolidated statement(s) of comprehensive income of the APC Group for the year ended 31 March 2012 or any accounting period subsequent thereto has been released and issued, the exercise price of the option will be the higher of (i) HK$25 million or (ii) the lower of 5 times EBITDA or HK$75 million. Further details of the transaction were set out in the announcement and circular of the Company dated 11 May 2011 and 10 June 2011, respectively;

(c) a conditional underwriting agreement dated 8 August 2011 between the Company as issuer and Chung Nam as underwriter relating to the issue of 6,268,834,496 rights shares at a subscription price of HK$0.062 per share on the basis of 22 rights shares for every share held on 3 October 2011 (as amended by a supplemental underwriting agreement dated 10 August 2011). Further details of the rights issue were set out in the announcement and circular of the Company dated 11 August 2011 and 2 September 2011, respectively;

(d) a note purchase agreement dated 2 February 2012 entered into between Dollar Group Limited (a wholly-owned subsidiary of the Company) and Quinella International Incorporated in relation to the sale and purchase of the 2.5% unsecured notes due 2014 in the aggregate principal amount of HK$200 million issued by Mascotte Holdings Limited. Further details of the transaction were set out in the announcement of the Company dated 2 February 2012;

(e) the deed of undertaking entered into between the Company and Dr. Kwong Kai Sing on 21 March 2012 (as amended by a supplemental deed dated 22 May 2012) in relation to the disposal of 400,000,000 ordinary shares of HT at an aggregate consideration of HK$115 million. Further details of the deed of undertaking were set out in the announcement and the circular of the Company dated 22 March 2012 and 25 May 2012, respectively;

(f) a conditional subscription agreement dated 20 April 2012 between the Company and Mr. Liu On Bong, Peter in relation to the subscription by Mr. Liu On Bong, Peter of 56,989,403 shares at HK$0.12 each. Further details of the transaction were set out in the announcement of the Company dated 20 April 2012;

(g) a conditional agreement dated 8 June 2012 entered into between Profit Garden (an indirect wholly-owned subsidiary of the Company) and Regent Square Limited in relation to the acquisition of Richful Zone at a consideration of HK$50 million. Further details of the transaction were set out in the announcements of the Company dated 8 June 2012 and 28 June 2012;

(h) a conditional placing agreement dated 27 August 2012 entered into between the Company and Chung Nam in relation to the placing of 312,417,159 new shares at the price of HK$0.26 per share. Further details of the placing were set out in the announcements of the Company dated 27 August 2012 and 7 September 2012;

(i) the Acquisition Agreement;

(j) a selling agreement entered into between the Company and Freeman Securities Limited ("**Freeman**") on 15 October 2012 pursuant to which Freeman agreed to sell a series of 5% unsecured seven-year straight bonds of an aggregate principal amount up to HK$450 million to be issued by the Company. Further details of the selling agreement were set out in the Company's announcement dated 15 October 2012; and

(k) a conditional agreement dated 7 January 2013 entered into between Coupeville Limited (a direct wholly-owned subsidiary of the Company) and Quinella International Incorporated (an independent third party to the Company and its connected persons), in relation to the disposal of Profit Garden and its subsidiaries at a consideration of HK$50 million.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association and the Bye-laws of the Company;

(b) the valuation report on the Forestlands, the text of which is set out in Appendix IV to this circular;

(c) the valuation report on the biological assets in the Forestlands, the text of which is set out in Appendix V to this circular;

(d) the report regarding unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the accountants' report of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the material contracts referred to in the section headed "Material Contracts" of this Appendix;

(g) the written consents given by LCH and Graham H. Y. Chan & Co referred to in the section headed "Experts and Consents" of this Appendix;

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

(i) the interim report of the Company for the six months ended 30 September 2012; and

(j) the Company's circular dated 25 May 2012 and this circular.

10. MISCELLANEOUS

(a) The secretary of the Company is Mr. Chow Chi Wah, Vincent, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is located on 29/F., China United Centre, 28 Marble Road, North Point, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 412)
(Warrant Code: 1248)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Heritage International Holdings Limited (the "Company") will be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 28 March 2013 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution to be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the Acquisition Agreement (as defined in the circular of the Company dated 12 March containing notice to convene this general meeting for passing this resolution ("Circular")) entered into between Speedy Harvest Holdings Limited as the vendor and Equal Leader Limited (a wholly-owned subsidiary of the Company) as the purchaser in relation to the sale and purchase of the entire issued share capital of Global Castle Investments Limited ("Global Castle") and the entire shareholder loan and other indebtedness owed by Global Castle and its subsidiaries for a total cash consideration of HK$800 million on and subject to the terms and conditions therein contained, a copy of which having been produced to this meeting and marked "A" and initialed by the chairman of this general meeting for identification purposes, and the transactions contemplated under the Acquisition Agreement, further particulars and information with respect to which being set out in the Circular, be and are hereby approved, confirmed and ratified and any one or more of the directors of the Company be and is hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal in accordance with the bye-laws of the Company, or make such arrangement as he/she may determine to be appropriate, necessary or desirable to give effect to or in connection with the Acquisition Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of such director or directors, in the interest of the Company and its shareholders as a whole in compliance with the Listing Rules (as defined in the Circular) and the applicable law and regulations."

By order of the Board
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 12 March 2013

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
29/F., China United Centre
28 Marble Road
North Point
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or, if he is the holder of two or more shares, more than one person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.

4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the principal place of business of the Company in Hong Kong at 29/F., China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.