THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to 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, professional accountant or other professional adviser.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

北大资源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited
北 大 資 源（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00618)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) CONTINUING CONNECTED TRANSACTION (3) PROPOSED ISSUE OF THE CONSIDERATION SHARES, THE ADDITIONAL SHARES AND THE PLACEMENT SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION AND (4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Financial adviser and Placing Agent to the Company

DBS

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

八方 金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on pages 10 to 50 of this circular. A letter from the Independent Board Committee is set out on pages 51 to 52 of this circular. A letter from Octal Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 53 to 107 of this circular.

A notice convening the special general meeting of the Company to be held at 10:00 a.m. on Thursday, 18 December 2014 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not later than 48 hours before the time of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

2 December 2014

CONTENTS

Page

DEFINITION 1

LETTER FROM THE BOARD 10

LETTER FROM THE INDEPENDENT BOARD COMMITTEE 51

LETTER FROM OCTAL CAPITAL LIMITED 53

APPENDIX I – FINANCIAL INFORMATION OF THE GROUP I-1

APPENDIX II(A) – ACCOUNTANTS' REPORT ON KEEN DELIGHT II-1

APPENDIX II(B) – ACCOUNTANTS' REPORT ON EXTOL II-46

APPENDIX II(C) – ACCOUNTANTS' REPORT ON CHONGQING RESOURCES II-90

APPENDIX II(D) – ACCOUNTANTS' REPORT ON CHENGDU RESOURCES II-131

APPENDIX II(E) – ACCOUNTANTS' REPORT ON GUIYANG RESOURCES II-171

APPENDIX II(F) – ACCOUNTANTS' REPORT ON QINGDAO RESOURCES II-209

APPENDIX II(G) – ACCOUNTANTS' REPORT ON CHONGQING YINGFENG II-249

APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP III-1

APPENDIX IV – ADDITIONAL FINANCIAL INFORMATION OF THE ACQUIRED GROUP IV-1

APPENDIX V – PROPERTY VALUATION V-1

APPENDIX VI – GENERAL INFORMATION VI-1

NOTICE OF THE SGM SGM-1

Unless otherwise defined, the capitalised terms in this circular shall have the following meanings:

"Accounts"	means the consolidated audited financial statements of the Acquired Group for the financial years ended 31 December 2011, 2012 and 2013, and the nine months period ended 30 September 2014
"Acquired Group"	Extol and its subsidiaries (Hong Kong Yingfeng, Chongqing Yingfeng and Wuhan Tianhe), Keen Delight and its subsidiaries (Superb Virtue, Hong Kong Urban Development, Chongqing Fangyuan, Hong Kong PKU, Changsha Longxin, Foshan Resources and Chengdu Lihui), Chongqing Resources and its subsidiaries (Chongqing Yingpu and Chongqing Yuefeng), Chengdu Resources and its subsidiary (Xinjin Beichuang), Guiyang Resources and its subsidiary (Guiyang Henglong), as well as Qingdao Resources and its subsidiaries (Qingdao Boya and Qingdao Bolai)
"Acquired Projects"	the property projects owned by the Acquired Group
"Acquisition"	the Offshore Acquisition and Onshore Acquisition
"Additional Shares"	new Shares with the amount of not more than HK$573 million that may be subscribed by Founder Information to maintain its controlling stake over the Company, subject to the requirement of maintaining a public float of 25% under the Listing Rules
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Founder Century"	北京方正世紀信息系統有限公司 (Beijing Founder Century Information System Co., Ltd.*), a company established in the PRC with limited liability
"Beijing Tianranju"	北京天然居科技有限公司 (Beijing Tianrangju Technology Co., Ltd.*), a company established in the PRC with limited liability
"Board"	the board of Directors
"Business Day"	means any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no.8 or above or a "black" rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are open for business
"BVI"	means British Virgin Islands

"Changsha Henglong"	長沙恒隆房地產開發有限公司 (Changsha Henglong Property Development Co., Limited*), a company established in the PRC with limited liability
"Changsha Longxin"	長沙隆鑫房地產開發有限公司 (Changsha Longxin Property Development Co., Limited*), a company established in the PRC with limited liability
"Chengdu Lihui"	成都立輝地產有限公司 (Chengdu Lihui Property Co., Limited*), a company established in the PRC with limited liability
"Chengdu Resources"	成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), a company established in the PRC with limited liability
"Chengdu Resources Group"	Chengdu Resources and its subsidiaries
"Chongqing Fangyuan"	重慶方源盈潤置業有限公司 (Chongqing Fangyuan Yingrun Property Co., Limited*), a company established in the PRC with limited liability
"Chongqing Resources"	重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*), a company established in the PRC with limited liability
"Chongqing Resources Group"	Chongqing Resources and its subsidiaries
"Chongqing Yingfeng"	重慶盈豐地產有限公司 (Chongqing Yingfeng Property Co., Limited*), a company established in the PRC with limited liability
"Chongqing Yingfeng Group"	Chongqing Yingfeng and its subsidiaries
"Chongqing Yingpu"	重慶盈普投資有限公司 (Chongqing Yingpu Investment Co., Limited*), a company established in the PRC with limited liability
"Chongqing Yuefeng"	重慶悅豐地產有限公司 (Chongqing Yuefeng Property Co., Limited*), a company established in the PRC with limited liability
"Company"	Peking University Resources (Holdings) Company Limited (北大資源(控股)有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange under the stock code 00618
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the S&P Agreement

"Completion Date"	the date of Completion, being the third Business Day following the fulfilment (or waiver thereof) of the conditions precedent or such later date as the Purchasers and Vendors may agree
"connected person"	has the meaning ascribed to it under the Listing Rules
"Connected Placing"	the placing of Placement Shares up to an amount of RMB300 million (equivalent to approximately HK$377.7 million) to Mr. Zheng
"Consideration"	the total consideration of HK$1,934 million for the Acquisition, including HK$1,361 million for the Offshore Acquisition and HK$573 million for the Onshore Acquisition
"Consideration Shares"	new Shares to be issued to Founder Information on the Completion Date for the purpose of satisfaction of the consideration for the Offshore Acquisition
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the directors of the Company
"Enlarged Group"	the Group and the Acquired Group
"Extol"	Extol High Enterprises Limited (高領企業有限公司), a company established in BVI with limited liability
"Extol Group"	Extol and its subsidiaries
"Ezhou Jinfeng Property"	鄂州金豐房地產開發有限公司 (Ezhou Jinfeng Property Development Co., Limited*), a company established in the PRC with limited liability
"Fine Noble"	Fine Noble Global Limited (卓御環球有限公司), a company established in BVI with limited liability
"Foshan Resources"	佛山北大資源地產有限公司 (Foshan Peking University Resources Property Co., Limited*), a company established in the PRC with limited liability
"Founder Century Hong Kong"	Founder Century (Hong Kong) Limited (方正世紀(香港)有限公司), a company established in Hong Kong with limited liability
"Founder Data"	Founder Data Corporation International Limited, a company established in the BVI with limited liability

"Founder Information"	Founder Information (Hong Kong) Limited（香港方正資訊有限公司）, a company established in Hong Kong with limited liability
"GFA"	gross floor areas
"Group"	the Company and its subsidiaries
"Guarantors"	the Vendors, Peking Founder, Founder Information, Starry Realm, PKU Resources Group and PKU Resources Holdings
"Guiyang Henglong"	貴陽恒隆置業有限公司 (Guiyang Henglong Property Co., Limited*), a company established in the PRC with limited liability
"Guiyang Resources"	貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*), a company established in the PRC with limited liability
"Guiyang Resources Group"	Guiyang Resources and its subsidiaries
"HK$"	means Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong PKU"	Hong Kong Peking University Resource Property Holdings Limited（香港北大資源地產控股有限公司）, a company established in Hong Kong with limited liability
"Hong Kong PKU Group"	Hong Kong PKU and its subsidiaries
"Hong Kong Tianhe"	Hong Kong Tianhe Holdings Limited（香港天合控股有限公司）, a company established in Hong Kong with limited liability
"Hong Kong Tianranju"	Hong Kong Tianranju Holdings Limited（香港天然居控股有限公司）, a company established in Hong Kong with limited liability
"Hong Kong Urban Development"	Hong Kong Peking University Resources Urban Development Limited（香港北大資源城市發展有限公司）, a company established in Hong Kong with limited liability
"Hong Kong Yingfeng"	Hong Kong Yingfeng Holdings Limited（香港盈豐控股有限公司）, a company established in Hong Kong with limited liability

"Hubei Tianranju"	湖北天然居商業運營管理有限公司 (Hubei Tianranju Business Management Co., Limited*), a company established in the PRC with limited liability
"Increase in Authorised Share Capital"	the increase in authorised share capital of the Company from HK$300,000,000, divided into 3,000,000,000 Shares to HK$1,500,000,000, divided into 15,000,000,000 Shares by the creation of an additional 12,000,000,000 Shares
"Independent Board Committee"	an independent committee of the Board comprising Mr. Li Fat Chung, Ms. Wong Lam Kit Yee and Ms. Cao Qian, the independent non-executive Directors, established for the purpose of, among other things, advising the Independent Shareholders on the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares, the allotment and issuance of the Placement Shares, the Connected Placing and the Master Loan Agreement
"Independent Third Parties"	an individual or a company who is not connected with (within the meaning of the Listing Rules) any directors, chief executives or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"Independent Shareholders"	in respect of the resolutions approving the Acquisition and the transactions contemplated thereunder, the Shareholders other than the Vendors, parties acting in concert with them and those who are involved in or materially interested in the Acquisition and the transactions contemplated thereunder, whereas in respect of other resolutions to be approved at the SGM, the Shareholders other than those who are involved in or materially interested in those resolutions
"Issue Price"	the price for the issuance of each Consideration Share, each Additional Share and each Placement Share which is currently expected to be not less than HK$0.65 per Share and not more than HK$0.85 per Share
"Keen Delight"	Keen Delight Global Limited (建樂環球有限公司), a company established in BVI with limited liability
"Keen Delight Group"	Keen Delight and its subsidiaries

"Kunshan Hi-Tech"	昆山高科電子藝術創意產業發展有限公司 (Kunshan Hi-Tech Electronic Arts Creative Industry Development Co., Ltd*), a company established in the PRC with limited liability
"Last Trading Day"	28 November 2014
"Latest Practicable Date"	28 November 2014, the latest practicable date for the identification of certain information in this circular prior to the despatch of this circular
"Listing Committee"	Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by The Stock Exchange of Hong Kong Limited, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Master Loan Agreement"	a master loan agreement dated 16 September 2014 entered into between the Company and PKU Resources Group
"Mr. Zheng"	Mr. Zheng Fu Shuang, an executive Director of the Company
"Offshore Acquisition"	the acquisition by the Company pursuant to the terms and conditions of the S&P Agreement of the entire issued shares in Extol and Keen Delight, all of which were legally and beneficially owned by Fine Noble as at the Latest Practicable Date
"Onshore Acquisition"	the acquisition by Beijing Tianranju pursuant to the terms and conditions of the S&P Agreement of the entire issued shares in Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources, all of which were legally and beneficially owned by PKU Property as at the Latest Practicable Date
"Peking Founder"	北大方正集團有限公司 (Peking University Founder Group Co., Ltd.*), a company established in the PRC with limited liability
"PKU Asset Management"	北大資產經營有限公司 (Peking University Asset Management Company Limited*), a company established in the PRC with limited liability

"PKU Property"	北大資源集團地產有限公司 (Peking University Resources Group Property Co., Limited*), a company established in the PRC with limited liability
"PKU Resources Holdings"	北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*), a company established in the PRC with limited liability
"PKU Resources Group"	北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*), a company established in the PRC with limited liability
"Placement Shares"	new Shares to be issued by the Company pursuant to the Placing Agreement with the total amount of not more than HK$2 billion, out of which Placement Shares with the amount of not more than RMB300 million (equivalent to approximately HK$377.7 million) may be placed to Mr. Zheng and the remaining Placement Shares would be placed to independent institutional and professional investors
"Placing Agent"	DBS Asia Capital Limited
"Placing Agreement"	the placing agreement entered into between the Company and the Placing Agent on 30 November 2014
"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
"PRC Operating Subsidiaries"	the PRC operating subsidiaries of the Acquired Group, namely, Chongqing Yingfeng, Wuhan Tianhe, Changsha Longxin, Foshan Resources, Chengdu Lihui and Chongqing Fangyuan, Chongqing Yingpu, Chongqing Yuefeng, Xinjin Beichuang, Guiyang Henglong, Qingdao Boya and Qingdao Bolai, and PRC Operating Subsidiary means any of them
"Purchasers"	means (i) the Company (to purchase the Sale Shares in Extol and Keen Delight); and (ii) Beijing Tianranju (to purchase the Sale Shares in Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources)
"Qingdao Boya"	青島博雅華府置業有限公司 (Qingdao Boya Huafu Property Co., Limited*), a company established in the PRC with limited liability
"Qingdao Boya Real Estate"	青島博雅置業有限公司 (Qingdao Boya Real Estate Co., Ltd.*), a company established in the PRC with limited liability

"Qingdao Bolai"	青島博萊置業有限公司 (Qingdao Bolai Property Co., Limited*), a company established in the PRC with limited liability
"Qingdao Resources"	青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*), a company established in the PRC with limited liability
"Qingdao Resources Group"	Qingdao Resources and its subsidiaries
"RMB"	means Renminbi, the lawful currency of the PRC
"S&P Agreement"	the sale and purchase agreement dated 16 September 2014 and entered into among others, the Purchasers, the Vendors and other Guarantors in relation to the Acquisition, including its amendments and supplemental from time to time
"Sale Shares"	means (i) the entire issued shares in Extol and Keen Delight, all of which were legally and beneficially owned by Fine Noble as at the Latest Practicable Date, and (ii) the entire issued shares in Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources, all of which were legally and beneficially owned by PKU Property as at the Latest Practicable Date
"SGM"	the special general meeting of the Company to be held to approve, among other things, the Acquisition, the transactions contemplated under the S&P Agreement, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares, the allotment and issuance of the Placement Shares, the Connected Placing the Master Loan Agreement and the Increase in Authorised Share Capital
"Share(s)"	ordinary share(s) with a par value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Sq.m."	square meters
"Starry Realm"	Starry Realm Limited（星域有限公司）, a company established in BVI with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning given to it under the Listing Rules

"Superb Virtue"	Superb Virtue Limited (嘉德有限公司), a company established in BVI with limited liability
"Superb Virtue Group"	Superb Virtue and its subsidiaries
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs in Hong Kong, as amended from time to time
"Tianjin Boya"	天津博雅置業有限公司 (Tianjin Boya Properties Co., Limited*), a company established in the PRC with limited liability
"Tianhe Property"	天合地產發展有限公司 (Tianhe Property Development Co., Limited*), a company established in the PRC with limited liability
"Tianjin Resources"	天津市北大資源置業有限公司 (Tianjin Peking University Resources Real Estate Company Limited*), a company established in the PRC with limited liability
"Tianjin Science Park"	天津北大科技園建設開發有限公司 (Tianjin Peking University Science Park Construction & Development Company Limited*), a company established in the PRC with limited liability
"Vendors"	means (i) Fine Noble and (ii) PKU Property
"Wuhan Tianhe"	武漢天合錦程房地產發展有限公司 (Wuhan Tianhe Jincheng Property Development Co., Limited*), a company established in the PRC with limited liability
"Xinjin Beichuang"	新津北創房地產開發有限公司 (Xinjin Beichuang Property Development Co., Limited*), a company established in the PRC with limited liability
"Yongqin"	Yongqin Limited (永勤有限公司), a company established in the BVI with limited liability

* *For identification purpose only*

In this circular, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB1.00 = HK$0.7943 for illustrative purposes only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars at such exchange rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

PKU RESOURCES

Peking University Resources (Holdings) Company Limited

北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00618)

Executive Directors:
Ms. Yu Li *(Chairwoman)*
Mr. Fang Hao *(President)*
Mr. Zhou Bo Qin
Mr. Zhang Zhao Dong
Mr. Xie Ke Hai
Mr. Zheng Fu Shuang

Independent non-executive Directors:
Mr. Li Fat Chung
Ms. Wong Lam Kit Yee
Ms. Cao Qian

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

Principal Place of Business in Hong Kong:
Unit 1408
14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

2 December 2014

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) CONTINUING CONNECTED TRANSACTION
(3) PROPOSED ISSUE OF THE CONSIDERATION SHARES, THE ADDITIONAL SHARES AND THE PLACEMENT SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION
AND
(4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

1. INTRODUCTION

Reference is made to the announcement of the Company dated 16 September 2014 in relation to, among other things, the Acquisition and the Master Loan Agreement and the announcement dated 30 November 2014 in relation to, among others, the allotment and issuance of the Consideration Shares, the Additional Shares and the Placement Shares.

The purpose of this circular is to provide you with, amongst other things, (i) further information relating to the Acquisition and the transactions contemplated thereunder, the allotment and issuance of the Consideration Shares under the specific mandate, the allotment and issuance of the Additional Shares under the specific mandate, the allotment and issuance of the Placement Shares under the specific mandate, the Connected Placing, the Master Loan

Agreement and the proposed Increase in Authorised Share Capital; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

2. VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

On 16 September 2014, the Purchasers and the Vendors, together with other Guarantors, entered into the S&P Agreement, pursuant to which the Purchasers have conditionally agreed to purchase the Sale Shares from the Vendors for a total consideration of HK$1,934 million, including HK$1,361 million for the Offshore Acquisition and HK$573 million for the Onshore Acquisition, which will be satisfied by a combination of the issuance of Consideration Shares to Founder Information and/or all or part of the cash proceeds from the issuance of Placement Shares and/or all or part of the cash proceeds from the issuance of Additional Shares and/or the Company's internal cash, external financing and/or financing from the controlling shareholder.

The S&P Agreement

Date

16 September 2014

Parties

Purchasers:	The Company, Beijing Tianranju
Vendors:	Fine Noble, PKU Property
Guarantors:	The Vendors, Peking Founder, Founder Information, Starry Realm, PKU Resources Group and PKU Resources Holdings

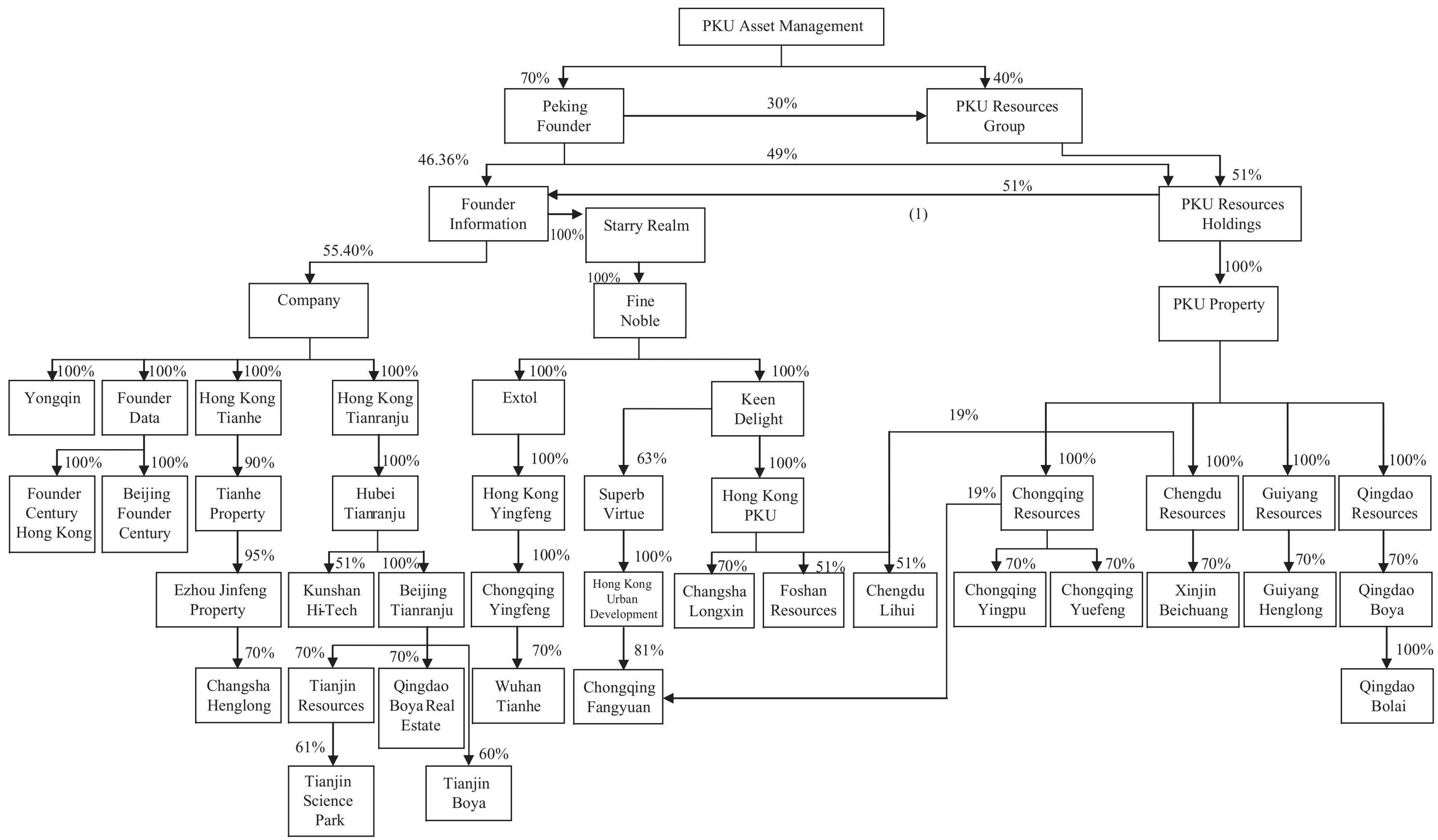
Assets to be acquired

The Sale Shares represent (i) 100% of the issued shares in Extol and Keen Delight legally and beneficially owned by Fine Noble; and (ii) 100% of the issued shares in Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources legally and beneficially owned by PKU Property.

Extol is directly interested in 100% of the equity interests in Hong Kong Yingfeng, which in turns is interested in 100% of the equity interests in Chongqing Yingfeng. Chongqing Yingfeng is in turns interested in 70% of the equity interests in Wuhan Tianhe. Keen Delight is directly interested in (i) 63% of the equity interests in Superb Virtue and (ii) 100% of the equity interests in Hong Kong PKU. Superb Virtue is in turns interested in 100% of the equity interests in Hong Kong Urban Development, which in turns holds 81% of the equity interests in Chongqing Fangyuan. Hong Kong PKU is in turns interested in (i) 70% of the equity interests in Changsha Longxin, (ii) 51% of the equity interests in Foshan Resources, and (iii) 51% of the equity interests in Chengdu Lihui. Chongqing Resources is directly interested in (i) 19% of the equity interests in Chongqing Fangyuan, (ii) 70% of the equity interests in Chongqing Yingpu, and (iii) 70% of the equity interests in Chongqing Yuefeng. Chengdu Resources is directly interested in (i) 19% of the equity interests in Chengdu Lihui and (ii) 70% of the equity interests in Xinjin Beichuang. Guiyang Resources is directly interested in 70% of the equity interests in Guiyang Henglong. Qingdao Resources is directly interested in 70% of the equity interests in Qingdao Boya, which in turns is interested in 100% of the equity interests in Qingdao Bolai.

Shareholding structure of the group, the acquired group and the enlarged group

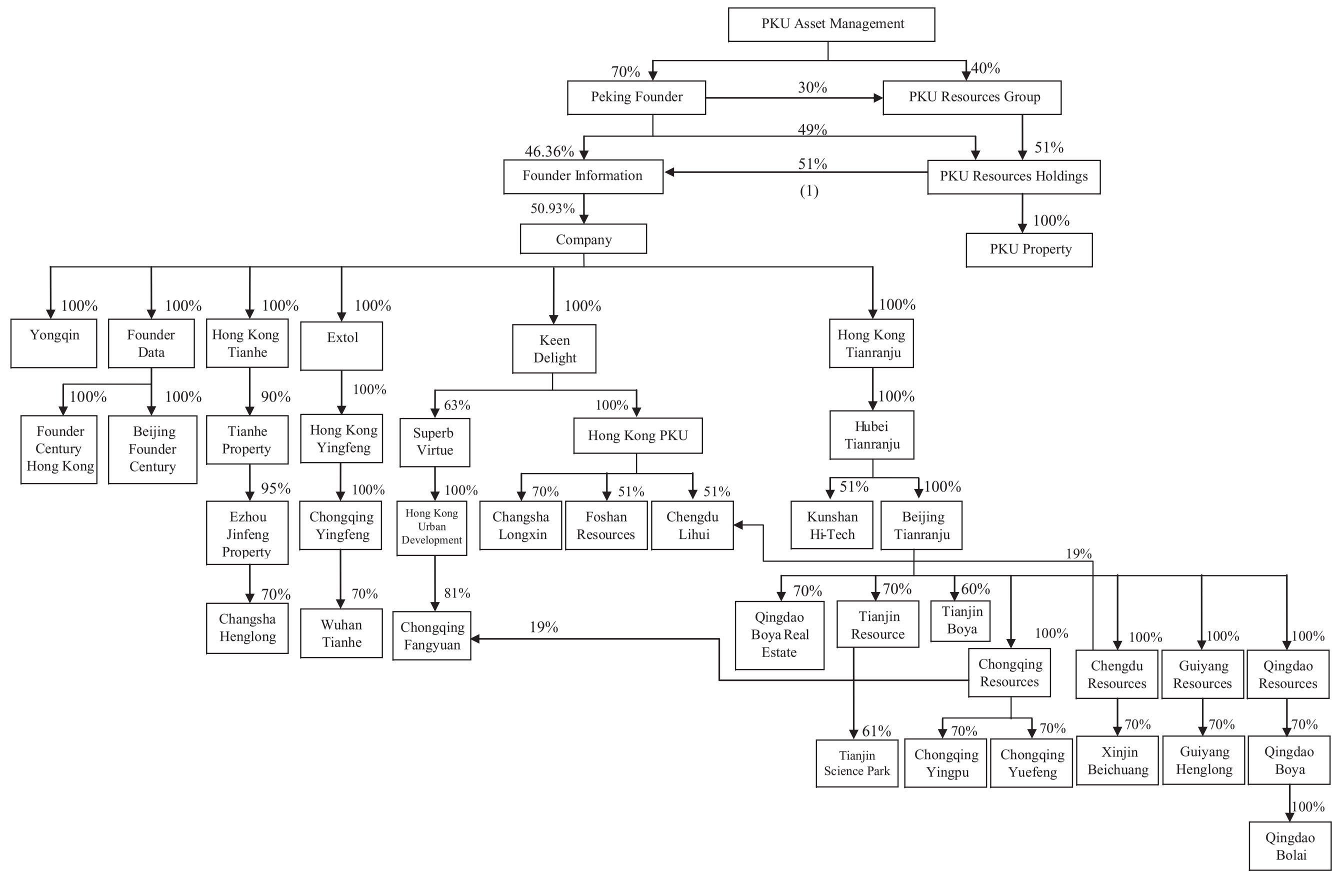
Set out below is the corporate structure of the Group and the Acquired Group immediately before Completion:



Note:

(1) Pursuant to a share transfer agreement entered into between Peking Founder and PKU Resources Holdings, PKU Resources Holdings owns 51% equity interests in Founder Information. As at the Latest Practicable Date, the transfer of shares under the share transfer agreement had not been completed.

Set out below is the updated corporate structure of the Enlarged Group immediately after Completion (assuming 2,093,846,153 Consideration Shares are issued to Founder Information, 881,538,461 Additional Shares are issued to Founder Information, 2,495,859,925 Placement Shares are issued to independent placees and 581,063,151 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.65 per Share):



Note:

(1) Pursuant to a share transfer agreement entered into between Peking Founder and PKU Resources Holdings, PKU Resources Holdings owns 51% equity interests in Founder Information. As at the Latest Practicable Date, the transfer of shares under the share transfer agreement had not been completed.

Consideration

The total consideration for the Acquisition is HK$1,934 million, including HK$1,361 million for the Offshore Acquisition and HK$573 million for the Onshore Acquisition. Due to the relevant PRC regulations regarding foreign exchanges, the Onshore Acquisition shall be satisfied in cash.

The consideration was determined among the parties after arm's length negotiations and taking into consideration, among other things, the consolidated net asset values of the Acquired Group after being adjusted for, among other things, the increase in capital contribution of Fine Noble of RMB869,999,988 as one of the conditions precedent for the Acquisition and the increase in fair value of the property projects as at 30 September 2014. As the property projects were carried at historical cost in the financial statements of the Acquired Group and therefore, did not truly reflect the current market value of the property projects, adjustment would need to be made in respect of the increase in the fair value of those property projects. The valuation of the Acquired Group is performed by an independent valuer, its valuation report and the corresponding adjustments made have been disclosed in this circular.

For the purpose of, among others, satisfying the Consideration with the Issue Price currently expected to be not less than HK$0.65 per Share and not more than HK$0.85 per Share, the Company plans to issue an aggregate of not more than 6,052,307,690 new Shares under a specific mandate to be obtained from the Independent Shareholders at the SGM, including:

(a) issuing the Consideration Shares to Founder Information, at the Issue Price with the amount of HK$1,361 million for the purpose of satisfying the consideration for the Offshore Acquisition;

(b) in case Founder Information may wish to subscribe more Shares to maintain its controlling stake over the Company, Founder Information will pay for such Additional Shares with the amount of not more than HK$573 million in cash and the cash proceeds from such subscription will be used by the Company to partially or fully satisfy the consideration for the Onshore Acquisition, subject to the requirement of maintaining a public float of 25% under the Listing Rules; and

(c) placing the Placement Shares with the total amount of not more than HK$2 billion pursuant to the Placing Agreement, out of which Placement Shares with the amount of not more than RMB300 million (equivalent to approximately HK$377.7 million) may be placed to Mr. Zheng and the remaining Placement Shares would be placed to independent institutional and professional investors. In relation to the proceeds from the placing of the Placement Shares, subject to the amount of Additional Shares to be issued to Founder Information, part of the cash proceeds would be used to partially satisfy the Consideration for the Onshore Acquisition and the remaining will be retained by the Company to replenish its working capital for, among others, future project development, land acquisition and general corporate use.

The Issue Price will be determined as soon as practicable before or after the Independent Shareholders approve the Acquisition. An announcement will be published by the Company as soon as practicable once the Issue Price is fixed.

Should the cash proceeds from the subscription of the Additional Shares and the placing of the Placement is not enough to satisfy the consideration for the Onshore Acquisition, the Company will obtain funding by other means, including internal cash, external financing and/or financing from controlling shareholder.

Each of the Acquisition, the allotment and issuance of Consideration Shares, the allotment and issuance of Additional Shares and the allotment and issuance of Placement Shares to independent institutional and professional investors will be inter-conditional upon each other. For the avoidance of doubt, the possible placement of Placement Shares with the amount of not more than RMB300 million (equivalent to approximately HK$377.7 million) to Mr. Zheng will not constitute a condition for each of the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of Additional Shares or the allotment and issuance of Placement Shares to independent institutional and professional investors.

Conditions precedent

Completion shall be conditional upon the fulfillment of, among other thing, the following conditions:

a) the approval by the Independent Shareholders of all necessary and relevant resolutions at the SGM;

b) the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares, the Additional Shares and the Placement Shares;

c) the placing of the Placement Shares having become unconditional;

d) the Offshore Acquisition and the Onshore Acquisition are inter-conditional;

e) the assessment confirmed by the Ministry of Education of the PRC in relation to the acquired equity interests in the PRC companies;

f) the Accounts of the Acquired Group have been procured;

g) the warranties in the S&P Agreement remaining true, accurate and complete in all respects and not misleading in any respect as at Completion;

h) the Company being satisfied that there has been no material adverse change as at Completion;

i) the Company being satisfied with its due diligence on, among others, the financial, legal and operational aspects of the Acquired Group; and

j) Fine Noble injecting a sum of RMB729,999,994 and RMB139,999,994 to Extol and Keen Delight, respectively, as capital.

The Purchasers may in their absolute discretion waive any of the above conditions precedent or any part of a condition precedent (other than the conditions precedent labeled (a), (b), (c), (d) and (e) above) at any time by notice in writing to the Vendors. Such waiver is without prejudice to the Vendors' obligations to satisfy, as soon as possible after the Completion, any waived conditions precedent (or part of any conditions precedent), whereas the conditions precedent (a), (b), (c), (d) and (e) above are not waiveable by any party and therefore if any of the conditions precedent (a), (b), (c), (d) and (e) cannot be fulfilled on or before 28 February 2015 (or such other date as the Purchasers may agree), the Acquisition shall lapse. The Company will only exercise its right to waive such conditions precedent (other than (a), (b), (c), (d) and (e)) if it is fair and reasonable and in the interest of the Company and the Shareholders. The Company currently has no intention to waive any of such conditions precedent.

In the event that not all of the conditions precedent are fulfilled, or waived by the Purchasers, as the case may be, pursuant to the terms of the S&P Agreement by 28 February 2015 (or such other date as the Purchasers may agree), then the Purchasers shall not be bound to proceed with the Acquisition and the Purchasers shall be entitled to terminate the S&P Agreement by notice in writing to the Vendors. Upon termination, the parties to the S&P Agreement shall be released and discharged from their respective obligations under the S&P Agreement, except as otherwise provided in the S&P Agreement, any cause of action accrued or any liability arising before or in relation to such termination shall continue notwithstanding such termination.

As at the Latest Practicable Date, conditions precedent (e) and (j) had been satisfied.

Completion

Completion shall take place on the Completion Date, being the third Business Day following the fulfillment (or waiver thereof) of the conditions precedent or such later date as the Purchasers and Vendors may agree.

INFORMATION ON THE ACQUIRED GROUP

The Acquired Group owns and operates 12 Acquired Projects in the PRC as set out in the table below:

PRC Operating Subsidiaries	Project	Location	Planned use	Actual/estimated construction commencement date	Pre-sale commencement date	Actual/estimated completion date	Permitted GFA (sq.m.)#	Permitted GFA without land use rights certificates (sq.m.)	Site area (sq.m.)#	Site area without land use rights certificates (sq.m.)	GFA available for sale (sq.m.)#	of which pre-sold but not yet delivered (sq.m.)#	of which unsold (sq.m.)#	Interest attributable to the Acquired Group	Market value attributable to the Acquired Group (RMB'000)	Reference to property valuation report
Chongqing Yingfeng	PKU Resources-Jiangshan Mingmen Project (北大資源江山名門)	Chongqing	Residential, others	Phase 1: 1 March 2012 Phase 2: 1 March 2013	Phase 1: 15 September 2012 Phase 2: 4 March 2014	Phase 1: 30 April 2014 Phase 2: 31 December 2014	1,012,690.67	80,425.06	414,269.90	39,148.60	283,134.54	30,965.67	252,168.87	100%	2,845,800	1, 5, 13, 24
Chongqing Fangyuan	PKU Resources-Yannan Project (北大資源燕南)	Chongqing	Residential	Phase 1: 1 September 2013 Phase 2: 5 May 2014	Phase 1: 5 December 2013	Phase 1: 12 May 2015 Phase 2: 5 December 2015	373,451.63	253,086.40	72,951.00	71,114.00	336,479.81	81,685.09	254,794.72	70%	931,840	6, 14, 25
Chongqing Yingpu	PKU Resources-Boya Project (北大資源博雅)	Chongqing	Residential, commercial	Phase 1: 1 September 2012 Phase 2: 1 July 2013 Phase 3: 1 July 2014	Phase 1: 5 February 2013 Phase 2: 9 October 2013	Phase 1: 31 December 2014 Phase 2: 31 May 2015 Phase 3: 31 May 2016	498,232.58	–	143,648.00	–	482,493.74	168,864.61	313,629.13	70%	1,652,490	4, 12
Chongqing Yuefeng	PKU Resources-Yuelai Project (北大資源悅來)	Chongqing	Residential	N/A	N/A	N/A	293,425.95	–	183,457.00	–	N/A##	N/A##	N/A##	70%	665,000	18
Foshan Resources	PKU Resources-Boya Binjiang Project (北大資源博雅濱江)	Foshan	Residential, commercial	Phase 1: 1 January 2014	N/A	Phase 1: 30 June 2016	726,653.18	–	199,286.50	–	210,364.39	N/A	210,364.39	51%	590,580	7, 15
Wuhan Tianhe	PKU Resources-Shanshuinianhua Project (北大資源山水年華)	Wuhan	Residential	N/A	N/A	N/A	223,108.29	–	123,949.05	–	72,639.70	N/A	72,639.70	70%	467,600	22
Changsha Longxin	PKU Resources-Time Project (北大資源時光東區)	Changsha	Commercial	N/A	N/A	N/A	152,541.51	–	69,337.05	–	N/A##	N/A##	N/A##	70%	480,200	19
Qingdao Boya	Xinduxinyuan Project (新都心苑)	Qingdao	Residential town, commercial	Phase 1: 17 October 2013	Phase 1: 26 November 2013	Phase 1: 9 July 2015	74,717.09	–	20,593.80	–	58,837.92	49,659.95	9,177.97	70%	198,100	9
Qingdao Bolai	PKU Resources-Boya Huafu Project (北大資源博雅華府(小水B地塊))	Qingdao	Residential town, commercial	Phase 1: 30 September 2014	N/A	Phase 1: 23 November 2016	316,938.39	–	108,187.10	–	142,707.04	N/A	142,707.04	70%	792,050	10, 20, 21
Guiyang Henglong	PKU Resources-Dream City Project (北大資源夢想城)	Guiyang	Commercial residential, office	Phase 1: 24 July 2013 Phase 2: 19 August 2014	Phase 1: 16 November 2013 Phase 2: 19 August 2014	Phase 1: 25 February 2016 Phase 2: 1 January 2016	875,099.63	–	247,425.90	–	402,441.87	194,648.1	207,793.77	70%	1,183,630	8, 16
Chengdu Lihui	PKU Resources-Yannan International Project (北大資源燕楠國際)	Chengdu	Residential town, commercial	Phase 1: 20 February 2014 Phase 2: 7 July 2014	Phase 1: 25 March 2014 Phase 2: 8 August 2014	Phase 1: 10 July 2015 Phase 2: 31 March 2016	459,637.902	–	127,029.07	–	262,102.62	40,301.78	221,800.84	70%	1,261,960	3, 11, 17
Xinjin Beichuang	PKU Resources-Xishanyue Project (北大資源溪山樾)	Chengdu	Residential town	Phase 1: 1 March 2013	Phase 1: 21 May 2013	Phase 1: 30 October 2014	56,820.72	73,172.41	52,033.61	60,977.01	54,676.27	3,242.20	51,434.07	70%	217,210	2, 23
Total							5,063,317.54	406,683.87###	1,762,167.98	171,239.61###	2,305,877.90	569,367.40	1,736,510.50		11,286,460	

\# Figures are dated as at 30 September 2014, and are determined upon discussion with an independent valuer.

\## Planning permits are not yet obtained as at 30 September 2014.

\### Permitted GFA without land use rights certificates was approximately 7.4% of the total permitted GFA, as at 30 September 2014; and site area without land use rights certificates was approximately 8.9% of the total site area. These were excluded from the valuation of the Acquired Group.

Financial information of the Acquired Group

The audited net profit before and after taxation and the audited net asset value of the Acquired Group (including net asset value attributable to non-controlling interests) for the respective periods were as follows:

	For the year ended 31 December			For the period ended 30 September
	2011	2012	2013	2014
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Keen Delight and its subsidiaries				
Net loss before taxation	(11)	(5)	(76,348)	(111,375)
Net loss after taxation	(11)	(5)	(76,348)	(111,375)
Net asset value	(11)	(16)	(22,397)	124,072
Extol and its subsidiaries				
Net profit (loss) before taxation	(15)	(4)	(31)	157,571
Net profit (loss) after taxation	(15)	(4)	(31)	160,251
Net asset value	(23)	(27)	(68)	176,618
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Chongqing Resources and its subsidiaries				
Net loss before taxation	(89)	(8,170)	(50,726)	(35,111)
Net loss after taxation	(89)	(8,170)	(50,726)	(35,111)
Net asset value	19,911	100,741	50,015	35,904
Chengdu Resources and its subsidiaries				
Net loss before taxation		(5,226)[1]	(28,974)	(11,245)
Net loss after taxation		(5,226)[1]	(28,974)	(11,245)
Net asset value		74,774	24,800	13,555
Guiyang Resources and its subsidiaries				
Net loss before taxation		(2,422)[2]	(58,313)	(49,557)
Net loss after taxation		(2,422)[2]	(58,313)	(49,557)
Net asset value		62,578	4,265	(45,292)
Qingdao Resources and its subsidiaries				
Net loss before taxation		(248)[3]	(15,836)	(14,292)
Net loss after taxation		(248)[3]	(15,836)	(14,292)
Net asset value		99,752	99,016	84,524

1 Profit/loss recorded for the period after incorporation of Chengdu Resources on 6 August 2012.

2 Profit/loss recorded for the period after incorporation of Guiyang Resources on 22 August 2012.

3 Profit/loss recorded for the period after incorporation of Qingdao Resources on 28 November 2012.

Information on the Purchasers

As at the Latest Practicable Date, Beijing Tianranju was a wholly-owned subsidiary of the Company. The Group, principally engaged in distribution business of information products in the domestic market and to diversify its business, has been actively entering into the area of property development and commercial property management in recent years. It will principally engage in property investment business.

Information on the Vendors

As at the Latest Practicable Date, Fine Noble was an investment holding company which was ultimately wholly-owned by Founder Information and PKU Property was a wholly-owned subsidiary of PKU Resources Holdings. Both Vendors own PRC Operating Subsidiaries that are principally engaged in property development projects in the PRC.

Information on PKU Resources Group

As at the Latest Practicable Date, PKU Resources Group controlled 51% of the issued share capital of PKU Resources Holdings. It is also an associate of PKU Asset Management, by virtue of PKU Asset Management being able to exercise or control the exercise of more than 30% of its voting power. PKU Resources Group is principally engaged in the property development business in the PRC.

In view of the demand of high quality education and medical resources being triggered by the implementation of second child policy and prevalence of community senior services in the PRC, with its superior education and medical resources from the close affiliation with Peking University, PKU Resources Group incorporates education and medical elements into its property projects. PKU Resources Group, thus, is able to build its unique product positioning and branding with these diversified community services.

For education, PKU Resources Group has set up an education platform with 北大幼教中心 (the PKU Preschool Education Center*), the Peking University Elementary School and the Affiliated High School of Peking University. This platform will invest in a number of Peking University's affiliated kindergartens, elementary schools and high schools throughout all property projects of PKU Resources Group. It is expected that Peking University's affiliated kindergartens will become the standard facilities in each of the property projects of PKU Resources Group. Depending on the development plan of local education department, property location and population, the Group will also set up primary schools and high schools in some of its property projects. For medical care, PKU Resources Group has set up PKU Community Medical and Healthcare Center in each of its property projects with the Peking University Health Science Center. Residents are therefore able to enjoy high quality medical services of Peking University at home.

PKU Resources Group and 北大幼教中心 (the PKU Preschool Education Center*) have developed and jointly operated Peking University's affiliated kindergartens in Dongguan, Jinan and Kunshan etc. These kindergartens are positioned as premium kindergartens which charge higher tuition fees. Property owners are able to enjoy preferential tuition and are given priority for enrolment. These kindergartens are also open to the public, benefiting neighbouring areas. PKU Resources Group expects that there will be increasing demand for these education services due to its branding and will be prepared for further development to serve more residents.

There will be a centralised system covering procurement, distribution, human resources management, financial management and evaluation in the PKU Community Medical and Healthcare Center to standardize the operation of its clinics. Medical and healthcare services will be provided through clinics located within the property projects, where residents are entitled to favorable prices. The clinics will also be open to the public to benefit more people. PKU Community Medical and Healthcare Center in each of the property projects will provide full healthcare services to all age groups, including six core services: general medical services, health records management, dynamic health monitor, express access to hospital, remote expert consultation and emergency inter-hospital transfer services. These centers will also provide four community services, including community home-based healthcare, community maternal and child healthcare, community healthcare and community healthcare education.

The education services and medical care services system is expected to be completed in the coming three years. In the next three years, it is expected that approximately 30 PKU Community Medical and Healthcare Centers and 30 Peking University's affiliated kindergartens will be set up, serving over 400,000 residents in which 50% are owners of PKU Resources Group's property projects.

In addition to the education and medical care services system, the new cultural center and "Ziyuanjia"（資源家）online service system which provide culture and e-commerce services, respectively, are also under construction. PKU Resources Group expects to gradually transfer such platforms to the Group in the future. Therefore, the Group is expected to own and operate an established platform which would be able to provide diversified community services covering cultural, education, medical, healthcare management and e-commerce.

As at the Latest Practicable Date, the Company had no concrete plan of acquiring such assets from PKU Resources Group. Should there be further updates, the Company will fully comply with the relevant legal requirements, including but not limited to the requirements as set out in Chapter 13, Chapter 14 and Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the Company's 2013 annual report, year 2013 marked a major step as a time of transformation for the Group. In order to expand the income base and achieve stable growth in the future, the Group has implemented diverse business development strategies and decided to enter into the PRC property market. The Acquisition provides an opportunity for the Group to acquire quality assets so as to complement its expansion strategy and to tap into property markets in different regions.

(a) Following Completion, the Company can leverage on the platform of the Acquired Group to further tap into the PRC property market, thus creating value for its Shareholders.

PKU Resources Group has been engaging in the property development business since 1992 and has been focusing on the property development business in the first– and second-tier cities. PKU Resources Group has established a very good relationship with local governments, which is beneficial for future property development business of the Enlarged Group.

The Group has been looking for opportunities to further expand its existing PRC property business with growth potential. The Acquired Projects are mainly located in first– and second-tier cities where the local property prices are yet to grow alongside with the continuous economic developments in the respective cities. The Directors see the Acquisition as an opportunity for the Company to further tap into the PRC property market, thus creating value for the Shareholders. After Completion, the Group will become the first and only overseas listed business platform for property business of Peking Founder, and the Enlarged Group will be able to make use of the platform and the brand of PKU Resources Group to develop its property business in China.

(b) The Enlarged Group will be able to collaborate with Peking University and PKU Resources Group for providing education, healthcare and other value added services within its property development projects, thereby enhancing the business model and attractiveness of the projects.

Peking University is well known in providing quality education and healthcare related services in the PRC. PKU Resources Group has set up an education platform with 北大幼教中心 (the PKU Preschool Education Center*), the Peking University Elementary School and the Affiliated High School of Peking University to invest in a number of Peking University's affiliated kindergartens, elementary schools and high schools throughout all property projects of PKU Resources Group. Also, PKU Resources Group has set up PKU Community Medical and Healthcare Center in each of its property projects with the Peking University Health Science Center. As part of the overall planning for the property projects in the Acquired Group, Peking University has worked with the Acquired Group to provide (i) education related services, i.e. libraries, seminars organized on site, kindergartens, primary and secondary schools etc., and (ii) healthcare related services, i.e. clinics, elderly care centers etc. in various property projects. It is expected that such collaboration will continue after the completion of the Acquisition and will extend to the other existing or future property projects of the Enlarged Group. In view of the aged population and the raising concern and awareness of the education standards in the PRC, it is expected that such related services will be highly valued. Having such services included or to be included in the property projects will inevitably improve the attractiveness of the property projects and enhance its business model.

In addition, it is expected that an online platform, Ziyuanjia (資源家), will be offered to the property owners of the property projects and this platform will link the property owners to the services provided by PKU Resources Group, including online medical consultation, advanced medical checkup booking, financial services as well as online shop etc.

The Board considers that the collaboration with Peking University and PKU Resources Group will help the Group to provide valuable services both to the owners and the community and enhance the business model of the Enlarged Group.

(c) The Acquired Group has started the project development and will be able to generate cashflow in the future.

The 12 property development projects in the Acquired Group will help to increase land bank and net asset of the Enlarged Group. The Acquired Group will also help to diversify income and to generate cash flow to fund the property development business of the Group.

The Board considers that the removal of local home purchase restrictions and the preferential mortgage rate have positive impact on the property sales in China and improve the buying sentiment. In addition, the new urbanization plan brought up by the central government which would include migrate workers into the social welfare system covering healthcare, education etc, will help lower saving ratios and improve the affordability of the public.

The Group will carefully assess the market condition, the PRC governmental policies towards PRC property markets as well as the availability of funding before deciding to proceed with the projects.

(d) To enhance the management capability for property business of the Group.

The majority of the executive Directors have management and operating experience with PKU Resources Group's property business and together with the management team of the PRC Operating Subsidiaries of the Acquired Group, they will be able to create synergy for sustainable growth in the business of the Group.

The PRC Operating Subsidiaries' management team has a track record of property development for more than 10 years in the respective cities and has accumulated valuable operating experience. They are familiar with the operating environment of the respective cities, have strong capability for business development and marketing strategies in the regions.

(e) The Enlarged Group will have strong capacity to raise funds for the development of its future business.

The Acquired Projects, the experienced management team and strong growth potential of the PRC Operating Subsidiaries together are expected to enable the Enlarged Group to obtain equity and debt financing to develop its future business for future business expansion and development.

In view of the above, the Directors consider that the Acquisition and the issuance and allotment of the Consideration Shares the issuance and allotment the Additional Shares, the issuance and allotment of the Placement Shares are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors have a material interest in the transactions contemplated under the S&P Agreement.

ADJUSTED NET ASSETS VALUE

Based on the valuation report prepared by Savills Valuation and Professional Services Limited on the property interest owned by the Acquired Group as at 30 September 2014, the Board is of the view that the audited net assets values ("NAVs") attributable to the owners of the parent of the Acquired Group as at 30 September 2014 shall be adjusted when considering the consideration of the Acquisition.

	Total
	HK$000
Audited NAVs of the Acquired Group as at 30 September 2014	412,709
Capital injection by Fine Noble into Extol and Keen Delight	1,098,346
Estimated fair value adjustment on properties under development and land use rights	2,071,552
Adjusted NAVs of the Acquired Group as at 30 September 2014	3,582,607
Non-controlling interests in NAVs of the Acquired Group	(742,424)
Adjusted NAVs of the Acquired Group attributable to the owners of the parent as at 30 September 2014	2,840,183

Note: RMB has been translated into HK$ in the exchange rate of RMB100 = HK$126.30 for the above illustration, except for the capital injection by Fine Noble into Extol and Keen Delight which is in the exchange rate of RMB100 = HK$126.25

FINANCIAL EFFECTS OF THE ACQUISITION ON THE COMPANY

The Board expects that the Acquisition will have the following financial effects on the Group:

Earnings

As shown in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as set out in Appendix III to the Circular, (assuming the Acquisition had been completed on 1 January 2013), the Enlarged Group would have generated approximately HK$3,028.2 million and HK$250.3 million in revenue and loss for the year, respectively, for the year ended 31 December 2013 whereas the Group recorded revenue and profit for the year of approximately HK$3,028.2 million and HK$29.4 million, respectively, for the year ended 31 December 2013. As shown in the unaudited pro forma consolidated statement of financial position of the Enlarged Group showing the effect of the Acquisition on net asset value (assuming the Acquisition had been completed on 30 June 2014) is set out in Appendix III to this circular, the cash balance of the Enlarged Group as at 30 June 2014 improved to HK$3,734.5 million compared to the Group's cash balance of HK$496.7 million as at 30 June 2014. In addition, 7 out of the 12 Acquired Projects commenced pre-sale with 569,367.40 sq.m. pre-sold but not yet delivered as at 30 September 2014.

Assets and liabilities

The unaudited pro forma consolidated statement of financial position of the Enlarged Group showing the effect of the Acquisition on net asset value (assuming the Acquisition had been completed on 30 June 2014) is set out in Appendix III to this circular. Based on the Group and the Acquired Group's financial information as at 30 June 2014 and 30 September 2014, respectively, net asset value of the Enlarged Group will be approximately HK$4,142.2 million immediately after Completion compared to the Group's net asset value of approximately HK$1,434.7 million. In addition, no goodwill on the Acquisition should result upon Completion.

DUE DILIGENCE BY THE GROUP ON THE ACQUISITION

The Company has conducted / undertaken the following procedures in order to ensure the feasibility of the prospect of the Acquired Group:

1. it has engaged a PRC legal adviser to issue legal opinion on (i) the status of the PRC subsidiaries of the Acquired Group; and (ii) the property interests owned by the Acquired Group;

2. it has engaged a reporting accountant to prepare accountants' reports for the Acquired Group for the three years ended 31 December 2011, 2012 and 2013, and the nine months ended 30 September 2014;

3. it has engaged a property valuer to perform property valuation for all the property interests owned by the Acquired Group;

4. it has conducted site visits on the property interests owned by the Acquired Group and discussed with the management of the Acquired Group to understand its business; and

5. it has conducted research on the industry overview regarding the future prospect of real estate industry in the PRC.

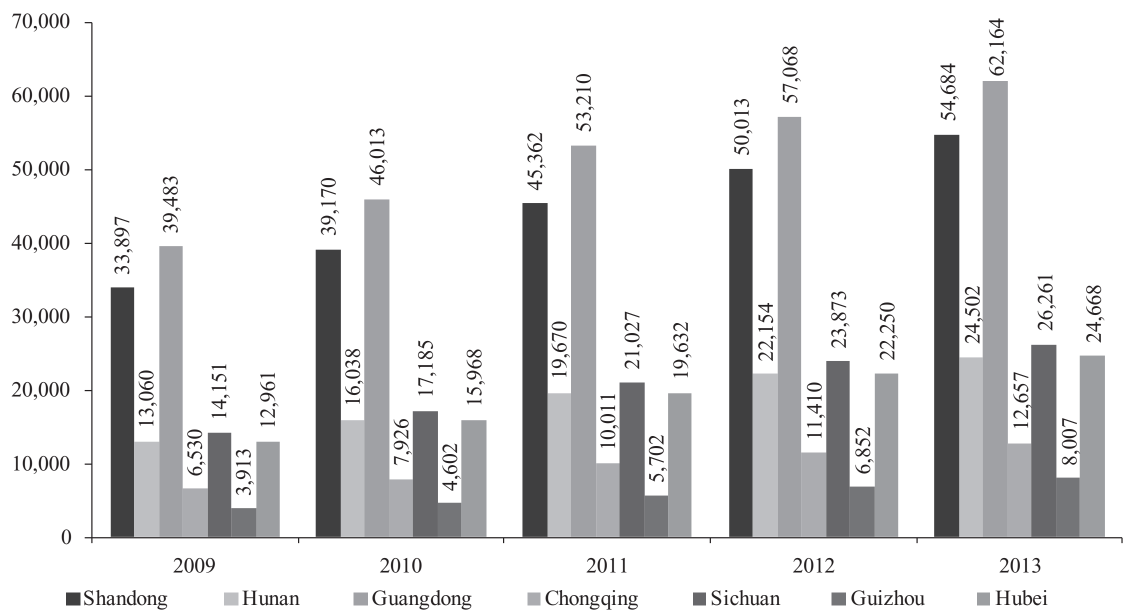
No material irregularities have been found as a result of the due diligence conducted.

OVERVIEW OF THE PRC PROPERTY INDUSTRY

1. Economic development of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province

The nominal GDP of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province have shown a growing trend in the past few years. The graph below illustrates the respective nominal GDP of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province from 2009 to 2013:

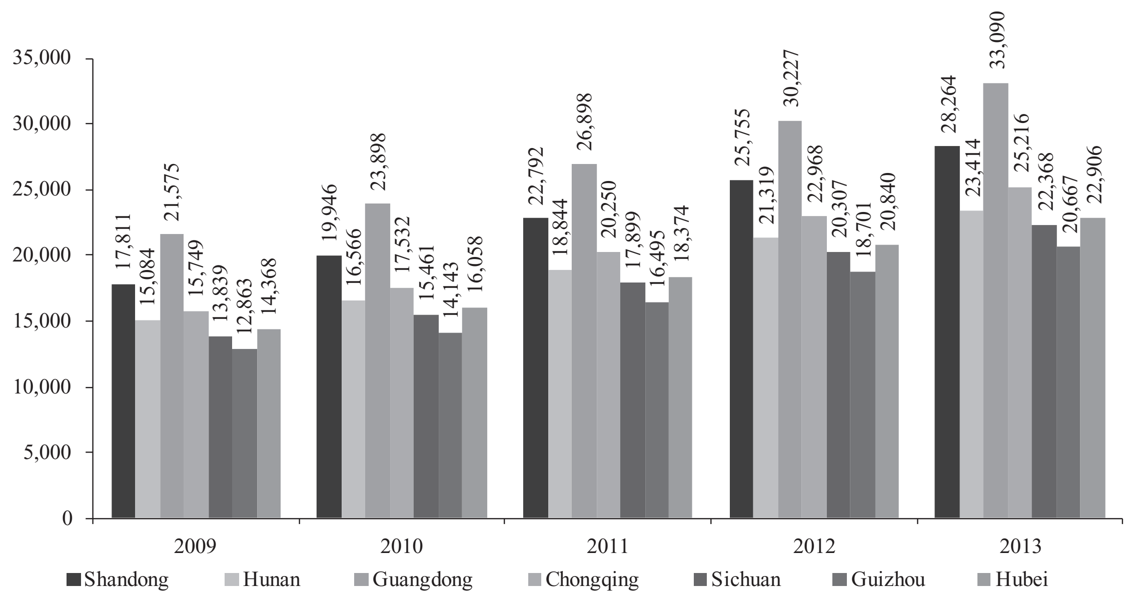
Nominal GDP of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province (RMB100 millions)



Source: National Bureau of Statistics of China

The nominal GDP of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province exhibit a CAGR of approximately 13%, 17%, 12%, 18%, 17%, 20% and 17% respectively from 2009 to 2013. Guangdong Province and Shandong Province ranked first and third, respectively, in 2013.

Annual Disposable Income Per Capita of Urban Households (RMB)



Source: National Bureau of Statistics of China

Benefited from the blooming economy, citizens in PRC enjoy improving living standards in terms of higher annual disposable income. The annual disposable income per capita of urban households of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province increased with a CAGR of approximately 12%, 12%, 11%, 12%, 13%, 13% and 12%, respectively, from 2009 to 2013.

The continuous economic growth of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province as illustrated above is beneficial to the development and prospects of the property development projects owned by the Acquired Group, i.e., Xinduxinyuan Project and PKU Resources — Boya Huafu Project in Shandong Province; PKU Resources — Time Project in Hunan Province; PKU Resources — Boya Binjiang Project in Guangdong Province; PKU Resources — Jiangshan Mingmen Project, PKU Resources — Yannan Project, PKU Resources — Boya Project and PKU Resources — Yuelai Project in Chongqing; PKU Resources — Yannan International Project and PKU Resources — Xishanyue Project in Sichuan Province; PKU Resources — Dream City Project in Guizhou Province and PKU Resources — Shanshuinianhua Project in Hubei Province.

2. Overall PRC property market

a) Market performance

The real estate market in the PRC exhibited a growing trend in general. The rapid development of the Chinese economy has led to an increase in overall spending and demand for larger living spaces. The charts below set out several key property market indicators between 2004 and 2013:

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real estate investment *(RMB billion)*	1,316	1,591	1,942	2,529	3,120	3,624	4,826	6,180	7,180	8,601
GFA of commodity properties completed *(million sq.m.)*	425	534	558	606	665	727	787	926	994	1,014
GFA of commodity properties sold *(million sq.m.)*	382	555	619	774	660	948	1,048	1,094	1,113	1,306
GFA of residential properties sold *(million sq.m.)*	338	496	554	701	593	862	934	965	985	1,157
Average selling price of commodity properties *(RMB per sq.m)*	2,778	3,168	3,367	3,864	3,800	4,681	5,032	5,357	5,791	6,237
Average selling price of residential properties *(RMB per sq.m.)*	2,608	2,937	3,119	3,645	3,576	4,459	4,725	4,993	5,430	5,850

Source: National Bureau of Statistics of China

After a roller-coaster ride in 2013 and the first half of 2014, the PRC property market has returned to the stage of profound reformation and rational development. It is expected that the market will gradually recover from the recession mainly attributed to the following reasons:

(i) Simulative policies boost market confidence

In order to lower inventory level, more than 30 cities have already canceled or considerably lifted their house-purchase-quota policies, leaving only 5 on the remaining list. Although effect of such policies easing could be limited, market can still expect more open, transparent and market-oriented policies in the future.

The policy also stipulated banks to lower the percentage of down payment and mortgage interest rate. As a result, first home mortgage rate from major banks has already returned to original base rate from the previous level of 1.05 times increment. Certain banks have also offered preferential interest rates with 5% discount. In terms of banks' incentive, there has been signs of increase in mortgage provided by banks, which mainly due to (i) the rise of non-performing loan ratio which triggered the banks to refocus on lower risk real estate financing market and (ii) decrease in demand for types of credit facility. All these measures contribute to greater demand release and absorption.

(ii) Launch of new projects and price recovery lead to sales revival

Despite increasingly conspicuous policy lifting, recovery in transaction level is more likely to be attributed to the lower property prices in the second half of 2014. With the increasing number of new projects ready for launch, many developers are lowering their margins for greater sales volume. As 80% of the price reductions fall within net profit margin of 15% comparing to industry average of 13%, the current price is set for preserving capital rather than generating returns.

The period of adjustment can be further pertained as market expectation is dragged by the nation's macro-structural adjustment and weakened economic performance since August. Nevertheless, it may as well accelerate market reformation, which is instrumental for a balanced and sustainable growth model in the PRC property market.

(iii) Differentiated policies cater for urban expansion

In the first half of 2014, the Central Government adopted the principle of bidirectional regulation and differentiated guidance, while administering micro-stimulation measures at regional level. On the premise of market stability, reformation of land, fiscal and taxation system, real estate registration, information network and other long-term mechanisms will continue to be the major topics of the market.

Larger differentiation would appear at regional level polices. For first-tier cities where mid-long term shortage are more prominent, adjustments will concentrate on supporting provident fund rate, credit and loan, tax deduction and tax exemption. Property markets with high inventory level and heavy sales pressure will have adjustments on house-purchase-quota policies in accordance to domestic conditions.

It should be noted that the quota policy was originally launched in 2010 with the intention to prevent market over-heat. Gradual fading out of such policy will help stabilise the market landscape and adapt to the fundamental changes in supply-demand relationship

b) Competition

The PRC property market is transitioning from rapid expansion to steady development, of which characteristics such as vast opportunities, low industrial agglomeration and aggressive growth will be replaced by intensified competition and supply adjustments.

(i) Polarization of market players

In spite of the market downturn in the first half of 2014, top-tier players were still able to actively leverage on their competitive advantages and pricing strategies to beat the market. 23 leading enterprises occupied 18.03% market share in the first half of 2014, while the top three leaders alone occupied over 6% market share. In contrast, regional medium-to-small players are hugely exposed to governmental adjustments, resulting in a decrease of 0.53% in market share as compared to 2.28% increase for top players. Such polarization of segments is expected to carry on throughout the period of adjustment. As leading national players penetrate major cities across the country, their unique advantages and risk capability allow them to out-compete regional players, significantly consolidate their position in the national landscape. Moreover, leading national players also enjoy lower funding and acquisition costs given their comprehensive scale and scope of operations. Unlike regional small-to-medium enterprises, they have adequate liquidity and land bank to aggressively expand their business.

(ii) Accelerated expansion of the 10 Billion Club

Riding on such expansion momentum, the league table for property developers has also undergone dramatic shuffling, radically changing the game.

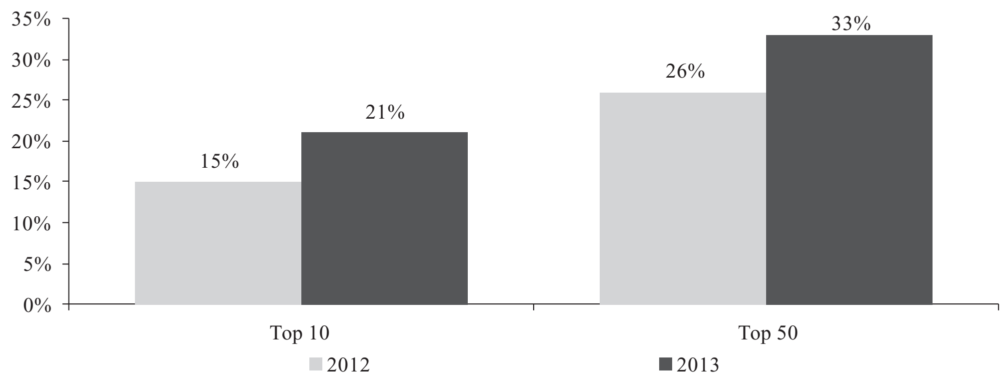
Number of Members of the Property 10 Billion Club 2007-2013

Source: China Index Academy

* The members of 10 Billion Club are those property enterprises whose annual sales are more than RMB10 billion.

The rate of expansion of the 10 Billion Club has been unprecedented since 2013. Through bidding, auctioning and listing, top 50 property enterprises purchased 187 million square meters of new land, with an investment amount over RMB587.5 billion. The total floor area of land held now accounts for 33% of gross transaction volume, compared to 26% in 2012.

The Percentage of Total Floor Area Purchased by Top 10 and Top 50 Property Enterprises Accounting for Total Transaction Volume of 53 Key Cities in PRC



Source: *CRIC*

Compared to traditional property development business model, the Acquired Group has formed a unique model which comprises land acquisition, development, sales and continuous after-sales service through implanting quality resources to its development projects from Peking University. After sales, on one hand, the Acquired Group can still gain continuous and stable revenue and cash flow by providing cultural, education and health management services etc. to the community. On the other hand, additional value-added services can allow for greater premium on property pricing and rate of sales. Therefore, the Directors consider that the Acquired Group would maintain its competitiveness and grow its business continuously.

c) Entry barriers and challenges

With gloomy international economic outlook and an on-going critical stage of China's economic reformation, property market enters into the period of adjustment in 2014, facing severe challenges.

(i) Increased difficulty to project operation

The precipitous rise in housing price from 2012 to 2013 had pushed the land price up to new height, resulting in higher land cost and compressed profit. On the other hand, such exponential increase in price also generated extrusion and crowding-out effects on housing demand, coupling with the downward influence of the economy, plunging both transaction price and volume.

(ii) Aggravated polarization of the market

The PRC property market has experienced 10 years of high-speed development with three rounds of adjustment and control along the way. Both market concentration and industry threshold have been soaring. In 2013, seven leading property developers became industry giants by breaking through annual sales threshold of RMB100 billion. Along the league table, 21 enterprises with annual sales over RMB50 billion and over 71 have revenue topped RMB10 billion. The strategic consciousness, project pipeline, operational efficiency as well as financing capacity of large benchmark enterprises are generally superior to those of small-to-medium ones, thus displaying greater attractiveness to investments. On the other hand, the combination of property and financing has prevailed as a new approach for benchmark enterprises to explore. Stable cash flow ensures growth opportunities and the market is gravitating towards a winner-takes-all situation, where small-to-mediums participants will have narrow living space. It's inevitable to see further differentiation, reshuffling and integration in the coming quarters.

(iii) Strategic transformation: blue ocean and O2O profit

As industry margin declines, more and more enterprises seek active strategic transformation instead of passive sales promotion, embracing new competitive patterns and changed business models. A couple of trends can be identified:

1. From single product mix to differentiated product mix

   Building upon the foundation of traditional housing products, more and more enterprises are trying to diversify their offering portfolio by introducing various derivatives such as industry property, commercial property, cultural property, tourism property and endowment property.

2. From property developers to property operators and service providers

   With more derivative products releasing, market demands impeccable operation and management excellence to ensure quality of these complexly integrated modules. That is, to provide the perfect blend of hardware products, and respective service products.

3. From offline to online

   Numerous developers have been rendering funds into experimental "marriage" between Property and Internet. Such changes are reflected in every step of the process including planning, designing, mechanizing, selling, community servicing, business operating, etc.

4. From single financing to multitude financing

On one hand, developers have diverse measures of traditional financing at their disposal: trust, debt and IPO to name a few. On the other hand, enterprises can utilise international investors, especially Hong Kong's as offshore financing platform for debt or equity financing.

5. From domestic management to overseas management

As recent data shed lights on crisis recovery, foreign market is having relatively low asset prices and strong growth. Under such background, overseas development evolves to be a fashion statement for optimizing asset allocation.

d) Future Growth Opportunities

(i) Importance of the property market

Property market remains to be a paramount policy tool for stabilizing the pacing of economic development. Stimulating or restraining transactions in the market will directly affect the entire nation's macroeconomic performance. The preventive endeavor against potential disaster triggered by hard landing of the market from the Central Government therefore reveals tremendous room for market smooth sailing and upward development.

1. Significant proportion of real estate investment

In 2013, investment expenditure constitutes 50.4% of China's GDP. With 19% of investment value contributed by property developers, the sector accounts for 10% of the entire economy's production value. Furthermore, real estate development links together multiple major industries along its production chain, and deterioration of its vitality will certainly push up unemployment rates across all sectors, inducing economic deceleration.

Percentage of Investment in Property Market to Total Investment in Fixed Assets

Year	**Investment in Property Market** *(RMB 100 millions)*	**Total Investment in Fixed Assets** *(RMB 100 millions)*	**Percentage**
2011	55,483	301,933	18%
2012	71,804	364,835	20%
2013	86,013	447,074	19%
2014 1H	42,019	212,770	20%

Source: National Bureau of Statistics of China

2. Contribution of land revenue

Regional governments rely heavily on land revenue as their primary source of income. The hard landing of property market can lead to worsening of fiscal condition and value fluctuations of land collateral, in worst case triggering government debt crisis. In 2014, at least 20% of regional government debts are redeemed by land sales among which Zhejiang Province and Tianjin have nearly 70% of debts using land sales revenue to pay back.

Rank of Land Finance Dependence Degree in 23 Provinces and Direct-controlled Municipalities

Province	Statistical Caliber (governments at all levels promising to settle the debts by selling land)	Total Land Sold for Repaying Debts		The Percentage of Land Sold for Repaying Debts Accounting for Total Debts	
		(RMB 100 millions)	*(Rank)*	*(%)*	*(Rank)*
Zhejiang	Province, City, County	2,739	2	66%	1
Tianjin	City	1,402	10	65%	2
Fujian	Province, City (8), County (67)	1,065	11	57%	3
Hainan	Province, City (2), County (12)	520	20	57%	4
Chongqing	City, County (36)	1,660	8	51%	5
Beijing	City, County (14)	3,601	1	50-60%	6
Jiangxi	City (11), County (90)	1,022	12	47%	7
Shanghai	City, County (16)	2,223	3	44%	8
Hubei	City (13), County (72)	1,762	6	43%	9
Sichuan	City (18), County (111)	2,126	4	40%	10
Liaoning	City (13), County (49)	1,983	5	39%	11
Guangxi	Autonomous Region, City, County	739	16	38%	12
Shandong	City (14), County (81)	1,437	9	38%	13
Jiangsu	City (13), County (73)	–	–	37%	14
Anhui	City (16), County (78)	902	14	36%	15
Heilongjiang	City (8), County (18)	653	17	36%	16
Hunan	City (14), County (96)	942	13	31%	17
Guangdong	City (19), County (63)	1,671	7	27%	18
Shanxi	City (10), County (32)	632	18	27%	19
Jilin	City (6), County (18)	586	19	23%	20
Gansu	City (10), County (28)	207	22	22%	21
Hebei	City (11), County (59)	796	15	22%	22
Shanxi	City (6), County (10)	269	21	21%	23

Source: China Economy Research Institute

3. Property market's effects on financial system

Up to the end of 2013, the total amount of onshore real estate financing has already reached RMB14.6 trillion, accounting for 22.3% of the total credit balance. Aggregating this to indirect debts that are granted with relations to real estates, China's banking system is having approximately 50% of their loan book occupied by property related items. Such amount, if endangered by hard landing of property market, will impose severe threat to the entire economy.

As mentioned earlier, national economic performance has been declined since August, in light of this, the Central Government cannot afford any potential damage from property market. Hence, choosing to loosen the monetary and industry policies along with micro-stimulation measures at regional level shall continue to be adopted to ensure that the overall PRC property market will not face a hard landing.

(ii) Political influence on development

Starting from 2013, the Central Government has been announcing several institutional reformations to facilitate healthy development of real estate market.

1. Household registration system

In the past 20 years, the living space of over 200 million Chinese citizens has been urbanized for enhanced living quality. The urbanization has surged to over 50%. In the coming 2 decades, the living space of another 200 million residents will face another round of urbanization, further raising the proportion of urban registered account from the current level of 30%. Such reformation will continue to provide a steady source of housing demand in various regions.

2. Land system

Under the current system, developer can only obtain land resources from government biding or licensing. As the mechanism changes, various types of previously-restricted land use such as agriculture, collectively-owned, can also enter the land market under the same condition as others do. Such measure can facilitate land price readjustment, benefiting future acquisition and project development.

3. Financial system

Financial reform allows developers to have more access to funds supporting the development of new projects.

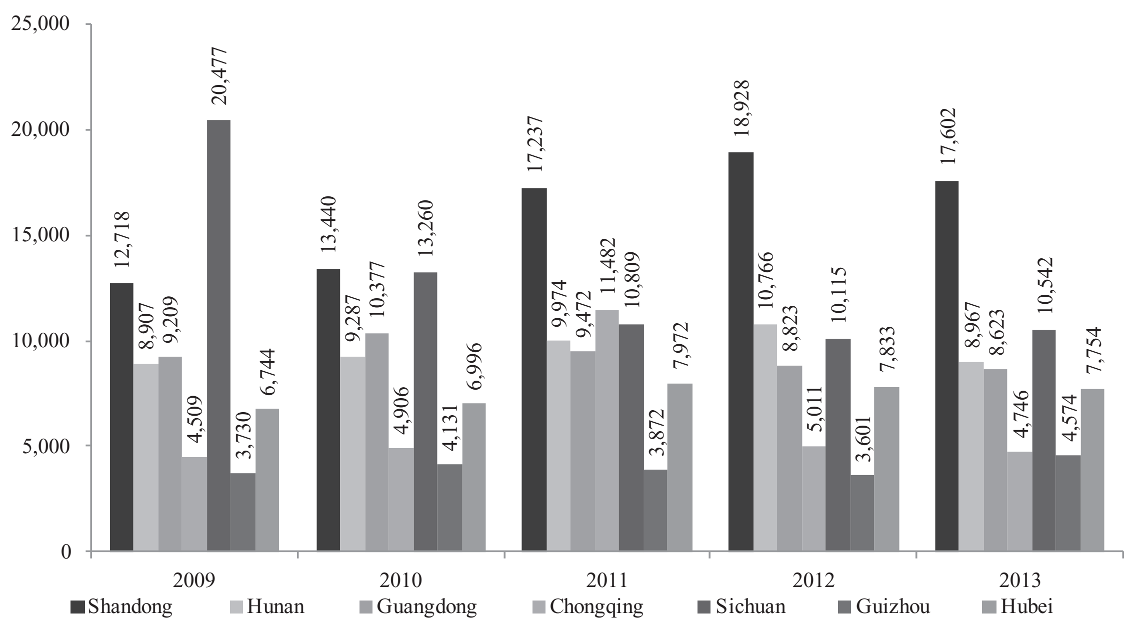
4. Marketization

Government does not intervene directly in industry development, in turn reducing the abnormal market fluctuations arising from investors speculations on policies.

The Acquired Projects are mainly located in direct-controlled municipalities, provincial capitals and municipalities with independent planning status, thus attracting high level of immigrants from other parts of the country. With the urbanization in these areas accelerating, the total population together with their disposable income will increase continuously, stimulating domestic property market. The Directors expect the growing residential property demand from these regions will continually fuel the growth of its business.

3. Residential property markets of Shandong Province, Hunan Province, Guangdong Province, Chongqing, Sichuan Province, Guizhou Province and Hubei Province.

Floor Space of Residential Buildings Completed (in 10,000 square meters)



Source: National Bureau of Statistics of China

The floor space of residential buildings completed of Shandong Province increased from approximately 127.18 million square meters in 2009 to approximately 189.28 million square meters in 2012, and then decreased to 176.02 million square meters in 2013.

The floor space of residential buildings completed of Hunan Province increased from approximately 89.07 million square meters in 2009 to 107.66 million square meters in 2012, and then decreased to 89.67 million square meters in 2013.

The floor space of residential buildings completed of Guangdong Province decreased from approximately 92.09 million square meters in 2009 to approximately 86.23 million square meters in 2013.

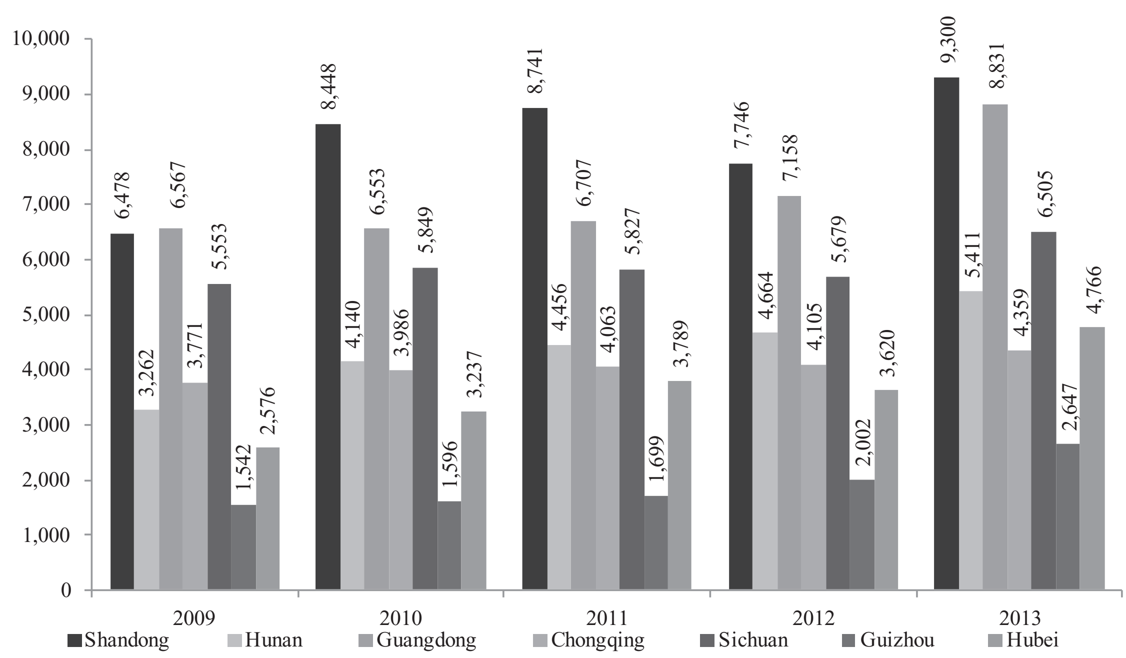
The floor space of residential buildings completed of Chongqing increased from 45.09 million square meters in 2009 to 114.82 million square meters in 2011, and then decreased to 47.46 million square meters in 2013.

The floor space of residential buildings completed of Sichuan Province decreased from approximately 204.77 million square meters in 2009 to approximately 105.42 million square meters in 2013.

The floor space of residential buildings completed of Guizhou Province increased from 37.30 million square meters in 2009 to 45.74 million square meters in 2013.

The floor space of residential buildings completed of Hubei Province increased from 67.44 million square meters in 2009 to 77.54 million square meters in 2013.

Floor Space of Residential Buildings Sold
(in 10,000 square meters)



Source: National Bureau of Statistics of China

During the same period, the floor space of residential buildings sold of Shandong Province increased from approximately 64.78 million square meters in 2009 to approximately 93.00 million square meters in 2013.

The floor space of residential buildings sold of Hunan Province increased from approximately 32.62 million square meters in 2009 to approximately 54.11 million square meters in 2013.

The floor space of residential buildings sold of Guangdong Province increased from approximately 65.67 million square meters in 2009 to approximately 88.31 million square meters in 2013.

The floor space of residential buildings sold of Chongqing increased from approximately 37.71 million square meters in 2009 to approximately 43.59 million square meters in 2013.

The floor space of residential buildings sold of Sichuan Province increased from approximately 55.53 million square meters in 2009 to approximately 65.05 million square meters in 2013.

The floor space of residential buildings sold of Guizhou Province increased from approximately 15.42 million square meters in 2009 to approximately 26.47 million square meters in 2013.

The floor space of residential buildings sold of Hubei Province increased from approximately 25.76 million square meters in 2009 to approximately 47.66 million square meters in 2013.

Risk factors

The Acquired Group may not always be able to obtain sites that are suitable for property development.

The Acquired Group derives revenue principally from the sale of properties that it develops. This revenue stream depends on the completion and rate of sale of the Acquired Group's property development. To maintain or grow its business in the future, the Acquired Group will need to acquire suitable development sites so as to replenish its land reserves. Its ability to identify and acquire suitable sites is subject to a number of factors, some of which are beyond its control.

The PRC government controls all new land supply in the country and regulates land transaction in the secondary market. As a result, the policies of the PRC government towards land supply may adversely affect the ability of the Acquired Group to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition. The business, financial condition and results of operations of the Acquired Group may thus be adversely affected if it is unable to obtain or acquire suitable land sites for development at prices that allow the Acquired Group to achieve reasonable returns upon the sale of developed properties to its customers.

The Acquired Group faces intense competition from other real estate developers.

In recent years, a large number of property developers, including a number of leading Hong Kong property developers and other overseas developers, have begun undertaking property development and investment projects primarily in the first and second tier cities in the PRC. Some of these developers may have competitive advantages on track records, name recognition, economies of scales and other resources against the Acquired Group. In the past, the PRC government has introduced various policies and measures in order to limit the growth and to prevent the overheating of the property development sector, which has led to decreased land supply and further increased competition for land amongst property developers.

Competition among property developers may result in an increase in land acquisition costs, an increase in construction costs, an oversupply of properties, a decrease in property prices in certain areas of the country or an inability to sell such properties, a slow down in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect the Acquired Group's business, financial position and operating performance. If the Acquired Group cannot respond to changes in market conditions in the markets in which it operates more effectively than its competitors, the Acquired Group's business, financial position and operating performance may be adversely affected.

The results of operations of the Acquired Group may be adversely affected if it fails to obtain or complete, or if there are material delays in obtaining or completing, requisite governmental approvals or registration for its property developments.

The property development industry in the PRC is heavily regulated by the PRC government. Property developers in the PRC must comply with various requirements provided by national and local laws and regulations.

In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and approvals from the relevant authorities at various stages of the property development process, including but not limited to state-owned land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and completion certificates. Each approval is dependent on the satisfaction of certain conditions.

There is no assurance that the Acquired Group will not encounter delays or other impediments in fulfilling the conditions necessary for the approvals, or that the Acquired Group will be able to adapt itself in a timely and effective manner to new laws, regulations or policies that may come into effect from time to time with respect to the property development industry. There may also be delays on the part of the administrative bodies in reviewing the Acquired Group's applications and granting approvals.

If the Acquired Group fails to obtain, or encounters material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of its development properties could be substantially disrupted, which may materially adversely affect its business, financial condition and operating performance.

The Acquired Group may be subject to potential risks in relation to pre-sale and/or sale of properties

The Acquired Group relies on the pre-sale of properties as an important source of funding for its property projects which are developed for sale. Under the current PRC laws and regulations, property developers must fulfil certain conditions (including obtaining pre-sale permit) before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. In the event that the required pre-sale permits cannot be obtained in a timely manner for the properties for pre-sale, or at all, this may have an material adverse effect on the development of such properties and may increase financial pressure on the Acquired Group. Furthermore, in the current economic climate and market conditions, there can be no assurance that the pre-sale and/or sale price of the properties will meet the expectation of the Acquired Group. In the event that the pre-sale/sale price of the properties is significantly lower that what the Acquired Group is budgeting for, this may have an material adverse effect on the results of operations of the Acquired Group.

The new business is dependent on the performance of the property market in the PRC

The business of the Acquired Group is dependent on the performance of the property market in the PRC. The PRC property market is affected by many factors, including changes in the PRC's social, political, economic and legal environment, changes in the PRC government's fiscal and monetary policy. Demand for residential properties in the PRC has been growing rapidly in recent years, but such growth often goes with volatility in market conditions and fluctuations in property prices. If the property market slows down, the Group's results of operations and financial condition could be adversely affected.

The operations of the Acquired Group are subject to extensive governmental regulations, and the PRC government may introduce further measures to curtail growth in the property sector

The real estate industry in China is heavily regulated by the PRC government. The Acquired Group must comply with various PRC policies, laws and regulations, as well as the practices and procedures of various regulatory authorities. The PRC government exerts considerable influence on the development of the PRC real estate industry by imposing industry policies and other economic measures to control the credit market, taxation and foreign investment. In particular, these measures include raising benchmark interest rates for commercial banks and individual property purchasers, placing additional limits on the ability of commercial banks to make loans to property developers, imposing additional taxes and levies on property sales and restricting foreign investment in the PRC property sector. Many of the real estate industry policies and economic reforms implemented by the PRC government are unprecedented and are expected to be refined and adjusted over time. Political, economic and social factors may also lead to further policy adjustments. This refining and adjustment process may have uncertain effects on the operations and future business development of the Acquired Group.

Along with general economic growth in China, investments in the property sector have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, and in light of increasing speculation in the property market, the PRC government has introduced policies and regulations to control the growth of the property sector. The various restrictive measures taken by the PRC government with an aim to control the growth of the property sector may limit the Acquired Group's access to capital and reduce market demand, and in adapting to these measures the Acquired Group's operating costs may also increase. If the Acquired Group fails to adapt its operations to new policies and regulations that may come into effect from time to time with respect to the PRC real estate industry, or if such policy or regulatory changes disrupt its business or cause it to incur additional costs, its business, results of operations and financial condition may be adversely affected.

The ever-changing economic, political and social conditions in the PRC could affect the Acquired Group's business and prospects

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

– the amount and degree of the PRC government involvement;

– growth rate and degree of development;

– uniformity in the implementation and enforcement of laws;

– content of and control over capital investment;

– control of foreign exchange; and

– allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. It cannot be predicted whether changes in PRC economic, political or social conditions and PRC laws, regulations and policies will have any adverse effect on the Acquired Group's business, financial condition or results of operations.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, each of Fine Noble and PKU Property was an associate of Peking Founder, by virtue of Peking Founder directly or indirectly being interested so as to exercise or control the exercise of more than 30% of each of their respective voting power. As Peking Founder was a controlling shareholder of the Company, each of its associates was a connected person of the Company under the Listing Rules. Accordingly, the Acquisition, the transactions contemplated under the S&P Agreement and the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares also constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules are subject to approval by the Independent Shareholders at the SGM. Those who are involved in or interested in the Acquisition will abstain from voting at the SGM in respect of the resolutions approving the Acquisition, the transactions contemplated under the S&P Agreement and the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares.

3. PROPOSED ISSUE OF THE CONSIDERATION SHARES, THE ADDITIONAL SHARES AND THE PLACEMENT SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION

The Consideration Shares, the Additional Shares and the Placement Shares

Assuming the Issue Price at the lowest of the price range at HK$0.65 per Share, the Company would issue 2,093,846,153 Consideration Shares to Founder Information to satisfy the Offshore Acquisition of HK$1,361 million and issue a maximum of 881,538,461 Additional Shares to Founder Information for not more than HK$573 million in case Founder Information may wish to subscribe more Shares to maintain its controlling stake over the Company. A maximum of 3,076,923,076 Placement Shares would also be issued for not more than HK$2 billion.

Assuming the Issue Price at the highest of the price range at HK$0.85 per Share, the Company would issue 1,601,176,470 Consideration Shares to Founder Information to satisfy the Offshore Acquisition of HK$1,361 million and issue a maximum of 674,117,647 Additional Shares to Founder Information for not more than HK$573 million in case Founder Information may wish to subscribe more Shares to maintain its controlling stake over the Company. A maximum of 2,352,941,176 Placement Shares would also be issued for not more than HK$2 billion.

An aggregate of not more than 6,052,307,690 new Shares, representing the maximum number of Shares that would be issued at the Issue Price at the lowest of the price range of HK$0.65 per Share, will be issued under a Specific Mandate to be obtained from the Independent Shareholders at the SGM.

The Consideration Shares, the Additional Shares and the Placement Shares will be allotted and issued under the Specific Mandate to be obtained at the SGM. The Consideration Shares, the Additional Shares and the Placement Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares.

Pursuant to the Placing Agreement, the Placing Agent has agreed, subject to the terms and conditions of the Placing Agreement, to act as agent for the Company, on a best efforts basis only, to procure placees to subscribe for the Placement Shares at the Issue Price. The minimum public float of 25% will be maintained upon Completion.

Completion of the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares is conditional upon, among others, the Specific Mandate having been granted by the Independent Shareholders at the SGM, and the listing of, and permission to deal in, the Consideration Shares, the Additional Shares and the Placement Shares on the Main Board of the Stock Exchange having been granted by the Stock Exchange (and such listing and permission not subsequently being revoked prior to the completion of the allotment and issuance of Consideration Shares, the allotment and issuance of Additional Shares and the allotment and issuance of Placement Shares).

Connected Transaction

To show his confidence in and support for the Company, Mr. Zheng, an executive Director of the Company, will participate in the placing of Placement Shares at the Issue Price with the amount of not more than RMB300 million (equivalent to approximately HK$377.7 million) pursuant to the terms and conditions of the issuance. For the avoidance of doubt, neither the Company nor the Placing Agent is obliged to satisfy Mr. Zheng's proposed subscription. The Issue Price will be fixed by a bookbuilding process to generate the highest possible price which can also fulfil the book orders. The basis of allocation amongst the subscribers whose orders satisfy the Issue Price may vary, which often takes into consideration of factors such as, the strategic relationship of the subscriber with the Company, the market reputation of the subscriber and the public float of the Company. That means some subscribers may receive a higher allocation than others who have proposed to subscribe the same number of Placement Shares, and some subscribers may not receive any Placement Shares.

To the knowledge of the Company as notified by the directors pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), set out below are the interests or short positions (if applicable) held by Mr. Zheng in the Company as at the Latest Practicable Date:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Zheng Fu Shuang	Directly beneficially owned	200,019,000	8.34

Save as disclosed above, as at the Latest Practicable Date, Mr. Zheng and his associates do not have any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

Save as its directorship in the Company, Mr. Zheng does not hold any directorships or roles in Founder Information and its associates.

Since Mr. Zheng is a connected person of the Company under the Listing Rules, his participation in the proposed issuance of Placement Shares (if materialised) will constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to, among other things, approval by the Independent Shareholders at the SGM. Those who are involved in or materially interested in the Connected Placing, including Mr. Zheng together with his associates, will abstain from voting at the SGM in respect of the resolution regarding the Connected Placing.

Placing

The Company and the Placing Agent entered into the Placing Agreement on 30 November 2014. The net proceeds from the placing of Placement Shares are estimated to be approximately HK$1,927 million (assuming an Issue Price of HK$0.75 per Share, which is the mid-point of the proposed Issue Price range and 2,666,666,666 Placement Shares are to be issued). Set out below are the key terms of the Placing Agreement:

Issuer:	the Company
Placing agent:	the Company has appointed DBS Asia Capital Limited as the Placing Agent. The Placing Agent has agreed, subject to the terms and conditions of the Placing Agreement, to act as agent for the Company, on a best efforts basis only, to procure (by itself or through its affiliate(s) or sub-placing agent(s)), placees to subscribe for the Placement Shares at the Issue Price
Placees:	the Placing Agent has informed the Company that it intends to place the Placement Shares at the Issue Price to independent placee(s) (who will be institutional and professional investor(s)) and to Mr. Zheng for an amount of not more than RMB300 million (equivalent to approximately HK$377.7 million). In the event that the Placement Shares are placed to less than six placees or any of the placees might not be Independent Third Parties, relevant announcement will be made in accordance with the Listing Rules.

Placement Shares:	not more than 3,076,923,076 new Shares
Issue Price:	currently expected to be not less than HK$0.65 per Share and not more than HK$0.85 per Share

The minimum Issue Price of HK$0.65 per Share under the Placing Agreement represents:

- a discount of approximately 20.7% to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day of HK$0.82 per Share;
- a discount of approximately 19.8% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$0.81 per Share;
- a discount of approximately 13.3% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$0.75 per Share; and
- a discount of approximately 19.8% to the average of the closing price of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day of approximately HK$0.81 per Share.

The final Issue Price will be arrived at through a book building process and after arm's length negotiations between the Company and the Placing Agent with reference to the price range described above. The Directors consider that the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and the placing is in the interests of the Company and the Shareholders as a whole.

Conditions precedent:	Completion of the placing of Placement Shares is conditional upon, among other things, the Specific Mandate having been granted by the Independent Shareholders at the SGM, and the listing of, and permission to deal in, the Consideration Shares, the Additional Shares and the Placement Shares on the Main Board of the Stock Exchange having been granted by the Stock Exchange (and such listing and permission not subsequently being revoked prior to the completion of the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares); and the Acquisition becoming unconditional in all respects (except for the completion of the Placing).
Termination of the Placing:	the Placing Agreement is subject to termination by the Placing Agent under certain circumstances and will terminate if the Completion is not consummated by 28 February 2015, or such other date as agreed between the Company and the Placing Agent.
Placing commission:	The Placing Agent will receive a placing commission, in Hong Kong dollars, at 3% of the amount equal to the Placing Price multiplied by the actual number of Placement Shares successfully placed by the Placing Agent (excluding the Placement Shares placed to Mr. Zheng under the Connected Placing); and a discretionary bonus which the Company may consider and decide to pay to the Placing Agent based on the performance of the Placing Agent in connection with the Placing, in Hong Kong dollars, at up to 2% of the amount equal to the Placing Price multiplied by the actual number of Placement Shares successfully placed by the Placing Agent.
Completion:	Completion of the Placing shall take place on the Completion Date.
Ranking:	The Placement Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issuance of the Placement Shares.

THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion, assuming 2,093,846,153 Consideration Shares are issued to Founder Information, 881,538,461 Additional Shares are issued to Founder Information, 2,495,859,925 Placement Shares are issued to independent placees and 581,063,151 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.65 per Share; (iii) immediately after the Completion, assuming 1,601,176,470 Consideration Shares are issued to Founder Information, 674,117,647 Additional Shares are issued to Founder Information, 1,908,598,766 Placement Shares are issued to independent placees and 444,342,410 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.85 per Share; (iv) immediately after the Completion, assuming 2,093,846,153 Consideration Shares are issued to Founder Information, 2,495,859,925 Placement Shares are issued to independent placees and 581,063,151 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.65 per Share; (v) immediately after the Completion, assuming 1,601,176,470 Consideration Shares are issued to Founder Information, 1,908,598,766 Placement Shares are issued to independent placees and 444,342,410 Placement Shares are issue to Mr. Zheng at Issue Price of HK$0.85 per Share, and (vi) none of the outstanding share options of the Company will be exercised:

	As at the Latest Practicable Date		Immediately after the Completion assuming 2,093,846,153 Consideration Shares are issued to Founder Information, 881,538,461 Additional Shares are issued to Founder Information, 2,495,859,925 Placement Shares are issued to independent placees and 581,063,151 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.65 per Share		Immediately after the Completion assuming 1,601,176,470 Consideration Shares are issued to Founder Information, 674,117,647 Additional Shares are issued to Founder Information, 1,908,598,766 Placement Shares are issued to independent placees and 444,342,410 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.85 per Share		Immediately after the Completion, assuming 2,093,846,153 Consideration Shares are issued to Founder Information, 2,495,859,925 Placement Shares are issued to independent placees and 581,063,151 Placement Shares are issued to Mr. Zheng at Issue Price of HK$0.65 per Share		Immediately after the Completion, assuming 1,601,176,470 Consideration Shares are issued to Founder Information, 1,908,598,766 Placement Shares are issued to independent placees and 444,342,410 Placement Shares are issue to Mr. Zheng at Issue Price of HK$0.85 per Share	
	Number of Shares	*Approx. % of total*	*Number of Shares*	*Approx. % of total*	*Number of Shares*	*Approx. % of total*	*Number of Shares*	*Approx. % of total*	*Number of Shares*	*Approx. % of total*
Founder Information	1,328,381,278	55.40	4,303,765,892	50.93	3,603,675,395	51.29	3,422,227,431	45.22	2,929,557,748	46.12
Directors	203,975,000	8.50	785,038,151	9.29	648,317,410	9.23	785,038,151	10.37	648,317,410	10.21
Existing public shareholders	865,614,040	36.10	865,614,040	10.24	865,614,040	12.32	865,614,040	11.44	865,614,040	13.63
New public shareholders	–	–	2,495,859,925	29.54	1,908,598,766	27.16	2,495,859,925	32.97	1,908,598,766	30.04
Public shareholding subtotal	865,614,040	36.10	3,361,473,965	39.78	2,774,212,806	39.48	3,361,473,965	44.41	2,774,212,806	43.67
Total	2,397,970,318	100.00	8,450,278,008	100.00	7,026,205,611	100.00	7,568,739,547	100.00	6,352,087,964	100.00

Application for listing of the Consideration Shares, the Additional Shares and the Placement Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares, the Additional Shares and the Placement Shares on the Stock Exchange to be allotted and issued.

4. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$300,000,000 divided into 3,000,000,000 Shares, of which 2,397,970,318 Shares have been issued and allotted as fully paid.

In order to facilitate the proposed issuance of the Consideration Shares, the Additional Shares and Placement Shares under the Specific Mandate and provide for future expansion in the share capital of the Company, the Directors propose that the authorised share capital of the Company be increased from HK$300,000,000 divided into 3,000,000,000 Shares to HK$1,500,000,000 divided into 15,000,000,000 Shares by the creation of an additional 12,000,000,000 Shares, which will rank *pari passu* with all exisiting shares.

The increase in authorised share capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

5. CONTINUING CONNECTED TRANSACTION: MASTER LOAN AGREEMENT

On 16 September 2014, the Company entered into the Master Loan Agreement with PKU Resources Group pursuant to which the Group can borrow loans from PKU Resources Group, its associates and independent financial institutions designated by PKU Resources Group and its associates to fund its property projects.

Principal terms of the Master Loan Agreement

The principal terms of the Master Loan Agreement, among others, are set out below:

Borrower:	the Group
Lender:	PKU Resources Group (principally engaged in the property development business in the PRC), its associates and independent financial institutions designed by PKU Resources Group and its associates
Condition precedent:	the Master Loan Agreement is approved by Independent Shareholders and such agreement complies with the relevant provisions of the Listing Rules
Term:	from the date specified in the individual loan agreement to the end date not later than 31 December 2015

Interest:	at the interest rate not more than 12% per annum and to be paid not more frequent than quarterly
Repayment:	the whole loan shall be repaid on at the end of the term
Other:	For the avoidance of doubt, the Master Loan Agreement does not cover any loan transactions that would fall into the exemptions and waivers under Chapter 14A of the Listing Rules.

Annual caps

The annual caps for all the transactions contemplated under the Master Loan Agreement for each of the two years ending 31 December 2014 and 31 December 2015 are RMB1,131.2 million (equivalent to approximately HK$1,424.1 million) and RMB1,131.2 million (equivalent to approximately HK$1,424.1 million), respectively.

The annual caps are determined with reference to (i) the weighted average historical interest rate of approximately 12% for loans charged to the Acquired Group by PKU Resources Group and its associates as at 16 September 2014; (ii) the expected interest rate to be charged; and (iii) the repayment schedule of the respective loans.

Since (i) the relevant transactions had been intra-group transactions before the Acquisition and will only constitute continuing connected transactions due to the Acquisition; and (ii) most of the projects of the Acquired Group were at preliminary sales stages or did not even yet commence selling before the completion of the Acquisition while the estimated annual caps are closely associated with the maturity of the development stages of the property projects involved, the historical loan transaction amounts would not be a proper indicator for the estimated annual caps.

Reasons for and benefits of the Master Loan Agreement

The Directors are of the view that the transactions contemplated under the Master Loan Agreement enable the Group to use its internal resources more efficiently and it leads to more flexible resource allocation amongst the Group. Also, in view of recent stringent PRC banking policies in releasing loans to property companies, particularly those at the initial stages of property development, it is difficult to obtain financing with favourable terms from independent financial institutions. According to the latest consultation made with several independent financial institutions, the interest rates quoted for loans made to the Acquired Group were either at or higher than 12%. In order to ensure a continued capital support for the Enlarged Group to develop its property projects, entering into loan agreements with PKU Resources Group and its associates and independent financial institutions designated by PKU Resources Group and its associates at an interest rate of not more than 12% pursuant to the Master Loan Agreement can effectively reduce the working capital pressure of the Enlarged Group.

The Directors are of the view that transactions under the Master Loan Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. None of the Directors have a material interest in the transactions contemplated under the Master Loan Agreement.

Listing Rules Implications

As at the Latest Practicable Date, PKU Resources Group was an associate of PKU Asset Management, by virtue of PKU Asset Management being able to exercise or control the exercise of more than 30% of its voting power. As PKU Asset Management is a controlling shareholder of the Company, each of its associates is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Loan Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules for the transactions contemplated under the Master Loan Agreement, on an annual basis, exceeds 5%, the transactions contemplated under the Master Loan Agreement constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Those Shareholders who are involved in or materially interested in the transactions contemplated under the Master Loan Agreement will abstain from voting at the SGM in respect of the resolution approving the Master Loan Agreement.

6. SGM

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 18 December 2014 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolutions in relation to the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of Placement Shares, the Connected Placing, the Master Loan Agreement and the Increase in Authorised Share Capital. Those who are involved in or interested in the Acquisition will abstain from voting at the SGM in respect of the resolutions approving the Acquisition, the transactions contemplated under the S&P Agreement, the allotment and issue of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares.

The ordinary resolutions to be proposed at the SGM will be determined by way of poll. Any Shareholder who or whose associates that have material interest in the transactions and those who are involved in or interested in the relevant resolutions to be approved at the SGM will abstain from voting on the relevant resolutions. Accordingly, the Vendors, together with its associates, which held 1,328,381,278 Shares as at the Latest Practicable Date, are required to abstain from voting with respect to the resolution for approving the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of the Placement Shares and the Master

Loan Agreement. Mr. Zheng, together with his associates, which held 200,019,000 Shares as at the Latest Practicable Date, are required to abstain from voting with respect to the resolution for approving the Connected Placing.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to the principal place of business of the Company at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and in any event not less than 48 hours before the time scheduled for the holding of the SGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournments thereof should you so desire.

7. RECOMMENDATION

An Independent Board Committee (comprising all three independent non-executive Directors) has been established to advise the Independent Shareholders in connection with the Acquisition, the allotment and issuance of the Consideration shares, the allotment and issuance of the Additional Shares, the allotment and issuance of Placement Shares, the Master Loan Agreement and the Connected Placing. The Company, with the approval of the Independent Board Committee, has appointed Octal Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Acquisition, the allotment and issuance of the Consideration shares, the allotment and issuance of the Additional Shares, the allotment and issuance of the Placement Shares, the Connected Placing and the Master Loan Agreement in accordance with the Listing Rules.

The Independent Board Committee, having taken into account the advice of Octal Capital Limited, is of the view that the Acquisition, the allotment and issuance of Consideration Shares, the allotment and issuance of Additional Shares and the allotment and issuance of Placement Shares, the Connected Placing and the Master Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Acquisition, the allotment and issuance of Consideration Shares, the allotment and issuance of Additional Shares and the allotment and issuance of Placement Shares, the Connected Placing and the Master Loan Agreement as set out in the notice of SGM enclosed to this circular.

As Completion is subject to fulfilment of a number of conditions precedent under the S&P Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
Peking University Resources (Holdings) Company Limited
Yu Li
Chairwoman

PKU RESOURCES

Peking University Resources (Holdings) Company Limited

北大資源(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00618)

2 December 2014

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) CONTINUING CONNECTED TRANSACTION (3) PROPOSED ISSUE OF THE CONSIDERATION SHARES, THE ADDITIONAL SHARES AND THE PLACEMENT SHARES UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION AND (4) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

We have been appointed as members of the Independent Board Committee to advise you in respect of the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of Placement Shares, the Connected Placing and the Master Loan Agreement, details of which are set out in the letter from the Board in the circular (the "**Circular**") of the Company dated 2 December 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Octal Capital Limited as set out on pages 53 to 107 of the Circular, which contains its advice and recommendation to us as to whether or not the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of Placement Shares, the Connected Placing and the Master Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Octal Capital Limited as stated in its aforementioned letter of advice, we are of the opinion that Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares and the allotment and issuance of Placement Shares, the Connected Placing and the Master Loan Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Acquisition, the allotment and issuance of the Consideration Shares, the allotment and issuance of the Additional Shares, the allotment and issuance of the Placement Shares, the Connected Placing and the Master Loan Agreement.

Yours faithfully,
The Independent Board Committee of
Peking University Resources (Holdings) Company Limited

Mr. Li Fat Chung	**Ms. Wong Lam Kit Yee**	**Ms. Cao Qian**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

金融有限公司
OCTAL Capital Limited

801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

2 December 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS, POSSIBLE CONNECTED TRANSACTION – POSSIBLE ISSUANCE OF NEW SHARES TO A CONNECTED PERSON AND CONNECTED TRANSACTION – PROPOSED ISSUANCE OF PLACEMENT SHARES TO A CONNECTED PERSON

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Master Loan Agreement, the allotment and issuance of the Additional Shares, the Connected Placing and terms thereof, particulars of which are set out in the letter from the Board (the "Letter from the Board") of the circular to the Shareholders dated 2 December 2014 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 16 September 2014, the Purchaser and the Vendors entered into the S&P Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares from the Vendors for a total consideration of HK$1,934 million, which will be satisfied by a combination of the Company's internal cash, the issuance of the Consideration Shares to Founder Information and/or all or part of the cash proceeds from the issuance of Placement Shares and/or all or part of the cash proceeds from the issuance of the Additional Shares. Through the Acquisition, the Purchaser will acquire the interests of Extol, Keen Delight, Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources and their respective subsidiaries, which own and operate 12 property development projects in Chongqing, Changsha, Foshan, Chengdu, Guiyang, Qingdao and Wuhan.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, each of Fine Noble and PKU Property was an associate of Peking Founder, by virtue of Peking Founder indirectly being interested so as to exercise or control the exercise of more than 30% of each of their respective voting power. As Peking Founder is a controlling shareholder of the Company, each of its associates is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition, the transactions contemplated under the S&P Agreement and the allotment and issue of the Consideration Shares also constitute non-exempt connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to approval by the Independent Shareholders at the SGM. Those who are involved in or interested in the Acquisition will abstain from voting at the SGM in respect of the resolutions approving the Acquisition, the transactions contemplated under the S&P Agreement and the allotment and issue of the Consideration Shares.

On the other hand, on 16 September 2014, the Company entered into the Master Loan Agreement with PKU Resources Group pursuant to which the Group can borrow loans from PKU Resources Group, its associates and connected persons and independent financial institutions designated by PKU Resources Group and its associates and connected persons to fund their property projects.

As at the Latest Practicable Date, PKU Resources Group was an associate of PKU Asset Management, by virtue of PKU Asset Management being able to exercise or control the exercise of more than 30% of its voting power. As PKU Asset Management is a controlling shareholder of the Company, each of its associates is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Loan Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules for the transactions contemplated under the Master Loan Agreement exceeds 5%, the transactions contemplated under the Master Loan Agreement constitute non-exempt continuing connected transactions for the Company (the "Non-exempted Continuing Connected Transactions") and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Those Shareholders who are involved in or interested in the transactions contemplated under the Master Loan Agreement will abstain from voting at the SGM in respect of the resolutions approving the Master Loan Agreement.

Moreover, the Company and the Placing Agent entered into the Placing Agreement on 30 November 2014 to issue not more than 3,076,923,076 new Shares at the Issue Price in the range of HK$0.65 per Share to HK$0.85 per Share (the "Placing"). In relation to the proceeds from the placing of the Placement Shares, subject to the amount of Additional Shares to be issued to Founder Information, part of the cash proceeds would be used to partially satisfy the Consideration and the remaining will be used by the Company to replenish its working capital for, among others, future project development, land acquisition and general corporate use. Upon completion of the Placing, there will be a dilution impact on the shareholding of Founder Information. In case Founder Information may wish to subscribe more Shares in the form of Consideration Shares (the "Additional Shares") to maintain its controlling stake over the Company (the "Additional Subscription"), Founder Information will pay for such additional Shares in cash and the cash proceeds from such subscription will be used by the Company to partially or fully satisfy the consideration for the Onshore Acquisition, subject to the requirement of maintaining a public float of 25% under the Listing Rules. Thus, the Additional Subscription would constitute a possible connected transaction under the Listing Rules. Furthermore, Mr. Zheng Fu Shuang ("Mr. Zheng"), a Director, proposes to participate in the Placing to subscribe for an amount of not more than RMB300 million (equivalent to HK$377.7 million) of the Placement Shares at the Issue Price and the subscription of the said Placement Shares would constitute a connected transaction under the Listing Rules.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or the Vendors or PKU Resources or Peking Founder or Mr. Zheng or any of their respective subsidiaries or associates and do not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there was no previous engagement between us and the Group or the Vendors or PKU Resources Group or Peking Founder or Founder Information or the Acquired Group or Mr. Zheng. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or the Vendors or PKU Resources Group or Peking Founder or Founder Information or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Group, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Vendors, PKU Resources Group, Peking Founder, Founder Information, the Acquired Group, Mr. Zheng and their respective controlling shareholder and associates nor have we carried out any independent verification of the information supplied.

THE ACQUISITION

Principle factors and reasons considered

In arriving at our opinion regarding the terms of the S&P Agreement, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisition

(i) Background

The Group is principally engaged in property development and property investment in the PRC, and distribution of information products in Hong Kong and the PRC. In January 2013, the Company completed the acquisition of two property development projects in Hubei Ezhou, the PRC and Jiangsu Kunshan, the PRC, as well as an office building project in Wuhan, the PRC from Peking Founder and also obtained the entrusted rights of operation of Founder International Building located in Zhongguancun of Beijing (the "2013 Acquisition"). Since then, the Group has diversified its businesses into the property development and investment businesses in the PRC. In May 2013, the Company secured a bid for a land parcel in Yuelu District of Changsha City, Hunan Province, the PRC for residential and commercial use. In October 2013, the Company secured another bid for a land parcel in Laoshan District of Qingdao City, Shandong Province, the PRC for commercial and financial use. In February 2014, the Company secured a bid for two land parcels in Tianjin, the PRC for residential use and commercial and residential use respectively. In July 2014, the Company secured a bid for another land parcel in the area of the New Eight Lanes* (新八大里地區), a major development area of Tianjin for residential and commercial use. In October 2014, the Company further secured a bid for a land parcel in Chengdu for residential and commercial use. As set out in the annual report of the Company for the year ended 31 December 2013, the Group has expressed its intention to seek investment opportunities for property projects and further increase its land bank across different regions to establish a nationwide footprint and balance the investment returns and risks in various cities and regions. As further set out in the interim report of the Company for the six months ended 30 June 2014 (the "2014 Interim Report"), the Group has reiterated that it will consistently and closely monitor the price fluctuation of properties in the major cities over China and actively pursue opportunities to invest in the Chinese market in respect of its real estate business.

Set out below is a summary of the financial results of the Group for the three years ended 31 December 2013 and the six months ended 30 June 2013 and 30 June 2014.

Expressed in *HK$'000*	**For the year ended 31 December 2011** (Audited)	**For the year ended 31 December 2012** (Audited)	**For the year ended 31 December 2013** (Audited)	**For the six months ended 30 June 2013** (Unaudited)	**For the six months ended 30 June 2014** (Unaudited)
Revenue	5,400,140	2,724,229	3,028,185	1,145,780	1,851,909
– Distribution of information products	5,400,140	2,724,229	2,977,095	1,121,814	1,661,765
– Property development	–	–	–	–	162,439
– Property investment	–	–	51,090	23,966	27,705
Gross profit	263,848	158,765	163,356	79,038	87,591
Gross profit margin	4.9%	5.8%	4.8%	6.9%	4.7%
Profit/(loss) attributable to owners of the parent	(8,411)	(24,753)	59,767	72,353	(67,351)
	As at 31 December 2011	**As at 31 December 2012**	**As at 31 December 2013**	**As at 30 June 2013**	**As at 30 June 2014**
Total assets	1,921,680	1,344,717	5,793,011	3,754,022	6,760,642
Net assets	339,211	319,975	1,532,008	1,257,746	1,434,684

During the two years ended 31 December 2011 and 2012, the Group was principally engaged in the distribution of information products business. The Group's revenue decreased from approximately HK$5,400 million for the year ended 31 December 2011 to approximately HK$2,724 million for the year ended 31 December 2012, representing a decrease of approximately 49.6%. The decrease in revenue was mainly attributable to the streamlining of various product lines of the distribution of information products segment to concentrate the effort on product lines with better profit margin in view of intense competition in the distribution market. The Group's gross profit decreased by 39.8% from approximately HK$263.8 million for the year ended 31 December 2011 to approximately HK$158.8 million for the year ended 31 December 2012 while the gross profit margin increased slightly from 4.9% to 5.8% during the same period. As a result of the decline in revenue and gross profit which was partly offset by the decrease in selling and distribution expenses and finance costs, the Group's loss attributable to owners of the parent increased from approximately HK$8.4 million for the year ended 31 December 2011 to approximately HK$24.8 million for the year ended 31 December 2012.

During the year ended 31 December 2013, the Company completed the acquisition of property development projects from Peking Founder and diversified its businesses into the property development and investment businesses in the PRC. The Group's revenue from the distribution of information products segment increased from approximately HK$2,724 million for the year ended 31 December 2012 to approximately HK$2,977 million for the year ended 31 December 2013, representing an increase of approximately 9.3%, while the gross profit margin decreased from 5.8% to 4.8% during the same period. The increase in revenue in the distribution of information products segment was mainly attributable to the launch of a number of new products of the existing product lines which partly offset some of the negative impact from intense market competition that trimmed the gross profit margin. The Group's recorded segment revenue from the property business of approximately HK$51.1 million and a segment profit of approximately HK$21.5 million in the property investment business. The Group achieved a turnaround and recorded a profit attributable to owners of the parent of the Group of approximately HK$59.8 million during the year ended 31 December 2013 as compared to the Group's loss attributable to owners of the parent of the Group of approximately HK$24.8 million for the year ended 31 December 2012. It was mainly attributable to the revenue growth of the Group's businesses and the gain on bargain purchase of approximately HK$128.6 million from the acquisition of subsidiaries engaged in the business of property development and property investment with total consideration below their net asset values.

As at 31 December 2012, the Group recorded total assets of approximately HK$1,345 million (31 December 2011: approximately HK$1,922 million) and net assets of approximately HK$320 million (31 December 2011: approximately HK$339 million). The Group had total cash and bank balances of approximately HK$398 million as at 31 December 2012 (31 December 2011: approximately HK$530 million).

As at 31 December 2013, the Group recorded total assets of approximately HK$5,793 million (31 December 2012: approximately HK$1,345 million) and net assets of approximately HK$1,532 million (31 December 2012: approximately HK$320 million). The Group had total cash and bank balances of approximately HK$1,012 million as at 31 December 2013 (31 December 2012: approximately HK$398 million).

The decrease in net assets by approximately 5.7% from HK$339 million as at 31 December 2011 to approximately HK$320 million as at 31 December 2012 was mainly attributable to the loss for the year of approximately HK$24.8 million as explained above.

The increase in net assets by approximately 378.8% from HK$320 million as at 31 December 2012 to approximately HK$1,532 million was attributable to the increase in investment properties, properties under development, properties held for sale and cash and bank balances and was partly offset by the increase in interest-bearing bank borrowings and other payables and accruals. The significant increase in total cash and bank balances was mainly attributable to the cash inflow from the Group's property sales and net proceed of HK$260 million from the issue of 326,792,000 shares at HK$0.8 per share in December 2013.

(ii) Information about the Acquired Group

The corporate structure of the Acquired Group is set out in the section headed "Assets to be acquired" in the Letter from the Board on page 12 of the Circular. The Acquired Group comprises the entire issued shares in each of Extol, Keen Delight, Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources. The Acquired Group is primarily engaged in property development business in the PRC through its PRC Operating Subsidiaries. Its current property portfolio primarily consists of 12 property projects under various development stages in Chongqing, Changsha, Foshan, Chengdu, Guiyang, Qingdao and Wuhan in the PRC (the "Target Cities"), with a primary focus on the development of residential towns and commercial and residential properties.

Extol

Extol is a limited liability company incorporated in Hong Kong on 30 May 2013. The principal activities of Extol and its subsidiaries are property investment and property development in Chongqing and Wuhan.

Keen Delight

Keen Delight is a limited liability company incorporated in British Virgin Islands on 23 May 2013. The principal activities of Keen Delight and its subsidiaries are property investment and property development in Chongqing, Changsha, Foshan and Chengdu.

Chongqing Resources

Chongqing Resources is a limited liability company registered in the PRC on 25 August 2010. The principal activity of Chongqing Resources and its subsidiaries is property development in Chongqing.

Chengdu Resources

Chengdu Resources is a limited liability company incorporated in the PRC on 23 October 2012. The principal activity of Chengdu Resources and its subsidiary is property development in Chengdu.

Guiyang Resources

Guiyang Resources is a limited liability company incorporated in the PRC on 22 August 2012. The principal activity of Guiyang Resources and its subsidiary is property development in Guiyang.

Qingdao Resources

Qingdao Resources is a limited liability company incorporated in the PRC on 28 November 2012. The principal activity of Qingdao Resources and its subsidiaries is property development in Qingdao.

The Acquired Projects

The Acquired Group owns and operates 12 property development projects (the "Acquired Projects") in various locations in the PRC. The Acquired Projects involve the development of residential towns and commercial and residential properties, with total permitted GFA of approximately 5.5 million sq.m. as at 30 September 2014. We set out below selected information of these projects:

PRC Operating Subsidiaries	Project	Location	Planned use	Site area (sq.m.) *(Note 1)*	Site area without land use rights certificates (sq.m.)	Permitted GFA (sq.m.) *(Note 1)*	Permitted GFA without land use rights certificates (sq.m.)	Interest attributable to the Acquired Group	Expected completion	Total GFA pre-sold but not yet delivered (sq.m.) *(Note 1)*
Chongqing Yingfeng	PKU Resources-Jiangshan Mingmen Project (北大資源江山名門)	Chongqing	Residential, others	414,269.90	39,148.60	1,012,690.67	80,425.06	100%	Completion in the 4th quarter of 2014	30,965.67
Chongqing Fangyuan	PKU Resources-Yannan Project (北大資源燕南)	Chongqing	Residential	72,951.00	71,114.00	373,451.63	253,086.40	70%	Completion of Phase 1 in the 2nd quarter of 2015 and Phase 2 in the 4th quarter of 2015	81,685.09
Chongqing Yingpu	PKU Resources-Boya Project (北大資源博雅)	Chongqing	Residential, commercial	143,648.00	–	498,232.58	–	70%	Completion of Phase 1 in the 4th quarter of 2014, Phase 2 in the 2nd quarter of 2015 and Phase 3 in the 2nd quarter of 2016	168,864.61
Chongqing Yuefeng	PKU Resources-Yuelai Project (北大資源悅來)	Chongqing	Residential	183,457.00	–	293,425.95	–	70%	N/A *(Note 3)*	N/A *(Note 2)*
Foshan Resources	PKU Resources-Boya Binjiang Project (北大資源博雅濱江)	Foshan	Residential, commercial	199,286.50	–	726,653.18	–	51%	Completion in the 2nd quarter of 2016	N/A *(Note 4)*
Wuhan Tianhe	PKU Resources-Shanshuinianhua Project (北大資源山水年華)	Wuhan	Residential	123,949.05	–	223,108.29	–	70%	N/A *(Note 3)*	N/A *(Note 3)*

PRC Operating Subsidiaries	Project	Location	Planned use	Site area (sq.m.) *(Note 1)*	Site area without land use rights certificates (sq.m.)	Permitted GFA (sq.m.) *(Note 1)*	Permitted GFA without land use rights certificates (sq.m.)	Interest attributable to the Acquired Group	Expected completion	Total GFA pre-sold but not yet delivered (sq.m.) *(Note 1)*
Changsha Longxin	PKU Resources-Time Project (北大資源時光東區)	Changsha	Commercial	69,337.05	–	152,541.51	–	70%	N/A *(Note 3)*	N/A *(Note 2)*
Qingdao Boya	Xinduxinyuan Project (新都心苑)	Qingdao	Residential town, commercial	20,593.80	–	74,717.09	–	70%	Completion of Phase 1 in 3rd quarter of 2015	49,659.95
Qingdao Bolai	PKU Resources-Boya Huafu Project (北大資源博雅華府(小水B地塊))	Qingdao	Residential town, commercial	108,187.10	–	316,938.39	–	70%	Completion of Phase 1 in the 3rd quarter of 2016	N/A *(Note 4)*
Guiyang Henglong	PKU Resources-Dream City Project (北大資源夢想城)	Guiyang	Commercial residential, office	247,425.90	–	875,099.63	–	70%	Completion of Phase 1 and Phase 2 in the 1st quarter of 2016	194,648.10
Chengdu Lihui	PKU Resources-Yannan International Project (北大資源燕楠國際)	Chengdu	Residential town, commercial	127,029.07	–	459,637.90	–	70%	Completion of Phase 1 in the 3rd quarter of 2015 and the completion of Phase 2 in the 1st quarter of 2016	40,301.78
Xinjin Beichuang	PKU Resources-Xishanyue Project (北大資源溪山樾)	Chengdu	Residential town	52,033.61	60,977.01	56,820.72	73,172.41	70%	Completion in the 4th quarter of 2014	3,242.20
Total				1,762,167.98	171,239.61	5,063,317.54	406,683.87			569,367.40

Notes:

1. Figures are dated as at 30 September 2014, and are determined upon discussion with Savills Valuation and Professional Services Limited, an independent valuer.

2. Planning permits are not yet obtained as at 30 September 2014.

3. These properties are held by the Group for future development, and they are currently bare land with no legal permits indicating the estimated commencement/completion date as at the Latest Practicable Date.

4. These properties have begun construction recently and the Group has not yet obtained the pre-sale permit of the corresponding property, thus the pre-sale commencement date is not known as at the Latest Practicable Date.

Further details of the Acquired Projects are set out in Appendix V to the Circular.

(iii) Information about the PKU Resources Group

PKU Resources Group is a company established in the PRC with limited liability and is principally engaged in the property development business in the PRC. In view of the demand of high quality education and medical resources being triggered by the implementation of second child policy and prevalence of community senior service in the PRC and leverage on its superior education and medical resources from the close affiliation with Peking University, PKU Resources Group incorporates education and medical elements into its property projects. PKU Resources Group, thus, is able to build its unique product positioning and branding with these diversified community services. In addition to the education and medical care services system, the new cultural center and "Ziyuanjia"（資源家）online service system which provide culture and e-commerce service respectively are also under construction. PKU Resources Group expects to gradually transfer such platform to the Group in the future. Therefore, the Group is expected to own and operate an established platform which would be able to provide diversified community services covering cultural, education, medical, healthcare management and e-commerce.

(iv) Reasons for the Acquisition

As set out in the Letter from the Board, in order to expand the income base and achieve stable growth in the future, the Group has implemented diverse business development strategies and decided to enter into the PRC property market. The Acquisition provides an opportunity for the Group to acquire quality assets so as to complement its expansion strategy and to tap into property markets in different regions.

(a) Following Completion, the Company can leverage on the platform of the Acquired Group to further tap into the PRC property market, thus creating value for its Shareholders.

PKU Resources Group has been engaging in the property development business since 1992 and has been focusing on the property development business in the first- and second-tier cities. PKU Resources Group has established as a very good relationship with local government, which is beneficial for future property development business of the Enlarged Group.

The Group has been looking for opportunities to further expand its existing PRC property business with growth potential. The Acquired Projects are mainly located in first- and second-tier cities where the local property prices are yet to grow alongside with the continuous economic developments in the respective cities. The Directors see the Acquisition as an opportunity for the Company to further tap into the PRC property market, thus creating value for its Shareholders. After Completion, the Group will become the first and only overseas listed business platform for property business of Peking Founder, and the Enlarged Group will be able to make use of the platform and the brand of PKU Resources Group to develop its property business in China.

(b) The Enlarged Group will be able to collaborate with Peking University and PKU Resources Group for providing education, healthcare and other value added services within its property development projects, thereby enhancing the business model and attractiveness of the projects.

Peking University is well known in providing quality education and healthcare related services in the PRC. PKU Resources Group has set up an education platform with 北大幼教中心 (the PKU Preschool Education Center*), the Peking University Elementary School and the Affiliated High School of Peking University to invest in a number of Peking University's affiliated kindergartens, elementary schools and high schools throughout all property projects of PKU Resources Group. Also, PKU Resources Group has set up PKU Community Medical and Healthcare Center in each of its property projects with the Peking University Health Science Center. As part of the overall planning for the property projects in the Acquired Group, Peking University has worked with the Acquired Group to provide (i) education related services, i.e. library, seminars organized on site, kindergarten, primary and secondary schools etc., and (ii) healthcare related services, i.e. clinics, elderly care centers etc. in various property projects. It is expected that such collaboration will continue after the completion of the Acquisition and will extend to the other existing or future property projects of the Enlarged Group. In view of the aged population and the raising concern and awareness of the education standards in the PRC, it is expected that such related services will be highly valued. Having such services included or to be included in the property projects will inevitably improve the attractiveness of the property projects and enhance its business model.

In addition, it is expected that an online platform, Ziyuanjia (資源家), will be offered to the property owners of the property projects and this platform will link the property owners to the services provided by PKU Resources Group, including online medical consultation, advanced medical checkup booking, financial services as well as online shop etc.

The Board considers that the collaboration with Peking University and PKU Resources Group will help the Group to provide valuable services both to the owners and the community and enhance the business model of the Enlarged Group.

(c) The Acquired Group has started the project development and will be able to generate cashflow in the future.

The 12 property development projects in the Acquired Group will help to increase land bank and net asset of the Enlarged Group. The Acquired Group will also help to diversify income and to generate cash flow to fund the property development business of the Group.

The Board considers that the removal of local Home Purchase Restrictions and preferential mortgage rate have positive impact on the property sales in China and improve the buying sentiment. In addition, the new urbanization plan brought up by the central government which would include migrate workers into the social welfare system covering healthcare, education etc, will help lower saving ratios and improve the affordability of the public.

The Group will carefully assess the market condition, the PRC governmental policies towards the PRC property markets as well as the availability of funding before deciding to proceed with the projects.

(d) To enhance the management capability for property business of the Group

The majority of the executive Directors have management and operating experience with PKU Resources Group's property business and together with the management team of the PRC Operating Subsidiaries of the Acquired Group, they will be able to create synergy for sustainable growth in the business of the Group.

The PRC Operating Subsidiaries' management team has a track record of property development of more than 10 years in the respective cities and has accumulated valuable operating experience. They are familiar with the operating environment of the respective cities, have strong capability for business development and marketing strategies in the regions.

(e) The Enlarged Group will have strong capacity to raise funds for the development of its future business

The Acquired Projects, their experienced management team and strong growth potential of the PRC Operating Subsidiaries together are expected to enable the Enlarged Group to obtain equity and debt financing to develop its future business for future business expansion and development.

In view of the above, the Directors consider that the terms of the Acquisition and the issue of the Consideration Shares are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the S&P Agreement.

(v) The PRC property market

The economy of the PRC has experienced significant growth over the past two decades. According to the statistics communique of the PRC published by the National Bureau of Statistics, the PRC's economy continued to expand and maintained an annual real GDP growth rate of 7.67% in 2013. In 2013, the PRC reached a real GDP of RMB56,885 billion.

In terms of the property market, the total investment in real estate development in the first seven months of 2014 was RMB5,038.1 billion, representing a nominal increase of 13.7% year-on-year, 0.4 percentage points lower over the first six months, of which, the investment in residential buildings was RMB3,436.5 billion, up by 13.3%, 0.4 percentage points lower, and accounted for 68.2% of real estate development investment.

According to the 70-city residential property price index of June 2014 released by the National Bureau of Statistics, comparing with the previous month, among 70 medium and large-sized cities, the sale prices of newly constructed commercial residential buildings declined in 64 cities, those of 4 cities remained at the same level, and those of 2 cities increased. For the price changes month-on-month, the highest increase was up by 0.2 %, the lowest was down by 2.5 %. Comparing with the same month of last year, the sales prices of newly constructed commercial residential buildings decreased in 3 cities, that of 2 cities remained at the same level, and that of 65 cities increased. In July, for the price changes year-on-year, the highest increase was up by 7.2 %, the lowest was down by 4.9 %. Such data suggested that tight mortgage lending deterred buyers even as local governments eased property curbs. First-home buyers no longer received mortgage-rate discounts this year. In Beijing and Shanghai, first-home mortgage rates were the same as the benchmark rate in July, while in Guangzhou they were 5% to 10% higher than the benchmark rate.

The PRC economy has been expanding significantly since the initiation and implementation of the reform and open policy in the late 1970's, and its strong growth has been maintained after the country's accession to the World Trade Organization in 2001. Amidst the global financial crisis in 2008, the gross domestic product ("GDP") growth of the PRC economy remained resilient and recorded a nominal GDP year-on-year growth rate of approximately 7.6%. According to the National Bureau of Statistics of China, China's GDP increased from approximately RMB31,405 billion in 2008 to approximately RMB56,885 billion in 2012 at a compound annual growth rate ("CAGR") of approximately 12.6%, making China one of the fastest growing economies in the world.

We noted that at a national level, the property market has been burgeoning with the total amount of property investment in China rising from approximately RMB3,120 billion in 2008 to approximately RMB8,601 billion in 2012, representing a CAGR of approximately 22.5%. The significant increase of property investment in China were growing in tandem with total revenue from property sales, where the total revenue from property sales in China increased from approximately RMB2,507 billion in 2008 to approximately RMB6,446 billion in 2012, representing a CAGR of approximately 26.6%. The ripple effect was felt by other property market measures whereby total GFA of properties sold and the average selling price of properties grew by a CAGR of approximately 14.0% and 11.1% respectively during the period between 2008 and 2012.

Furthermore, supply and demand for commercial uses, office and hotel properties, unlike their counterparts, residential properties, have seen a steady increase over the same period. According to the National Bureau of Statistics of China, CAGRs of the total GFA completed and the total GFA sold for commercial uses were 12.4% and 16.5%, respectively during the period between 2008 and 2012, and for office properties were 6.1% and 18.1%, respectively during the period between 2008 and 2012.

We have also looked into the property market in each of the Target Cities as set out below:

Chongqing

Chongqing is a major city in Southwest China and one of the five national central cities in the PRC. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Chongqing from 2007 to 2013:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**CAGR** *(%)*
GDP (RMB billion)	467.6	579.4	653.0	792.6	1,001.1	1,141.0	1,265.7	15.3
Population (million)	28.2	28.4	28.6	28.9	29.2	29.5	29.7	0.8
GFA (million square meters)	33.1	26.7	37.7	39.9	40.6	41.1	48.2	5.5
Total Fixed Assets Investment (RMB billion)	316.0	404.5	531.8	693.5	763.2	938.0	1,120.5	19.8

According to the Chongqing Municipal Bureau of Statistics, the city has a total population of 29.7 million. GDP of Chongqing has increased from approximately RMB467.6 billion in 2007 to RMB1,265.7 billion in 2013, representing a CAGR of approximately 15.3%. Over the past seven years, the CAGR of GFA is 5.5% and the CAGR of fixed assets investments was approximately 20%, an increase from approximately RMB316 billion in 2007 to approximately RMB1,120 billion in 2013.

Guangzhou

Guangzhou is the capital and largest city of the Guangdong province. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Guangzhou from 2007 to 2013:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**CAGR** *(%)*
GDP (RMB billion)	710.9	821.6	913.8	1,074.8	1,242.3	1,355.1	1,542.0	11.7%
Population (million)	7.7	7.8	7.9	8.1	8.1	8.2	12.9	7.6%
GFA (million square meters)	13.5	10.2	13.8	14.1	11.9	13.3	N/A	-0.2%
Total Fixed Assets Investment (RMB billion)	186.3	210.6	266.0	326.4	341.2	375.8	445.6	13.3%

According to the Guangzhou Municipal Bureau of Statistics, the city has a total population of 12.9 million. GDP of Guangzhou has increased from approximately RMB710.9 billion in 2007 to approximately RMB1,542 billion in 2013, representing a CAGR of approximately 11.7%. From 2007 to 2013, the CAGR of GFA is -0.2% and the CAGR of fixed assets investments was approximately 13.3%, an increase from approximately RMB186.3 billion to approximately RMB445.5 billion.

Foshan

Foshan is a city in central Guangdong province in southern China. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Foshan from 2007 to 2013:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**CAGR** *(%)*
GDP (RMB billion)	358.8	433.3	481.4	565.2	658.0	670.9	701.0	11.8%
Population (million)	6.3	6.6	6.9	7.2	7.2	7.3	7.3	2.5%
GFA (million square meters)	763.3	542.9	779.5	885.5	875.3	N/A	N/A	2.8%
Total Fixed Assets Investment (RMB billion)	109.0	125.9	147.1	172.0	193.6	212.8	238.4	11.8%

According to the Foshan Municipal Bureau of Statistics, in 2012, GDP of Foshan has increased to approximately RMB670.9 billion representing a CAGR of approximately 13.2% from approximately RMB360.5 billion in 2007. In terms of the property market, fixed assets investments climbed to approximately RMB212.8 billion in 2012, representing a CAGR of approximately 14.3% from approximately RMB109.0 billion in 2007.

Changsha

Changsha is the capital and largest city of the Hunan province. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Changsha from 2007 to 2013:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**CAGR** *(%)*
GDP (RMB billion)	219.0	330.1	374.5	454.7	561.9	640.0	715.3	18.4%
Population (million)	6.4	6.4	6.5	6.5	6.6	6.6	7.2	1.8%
GFA (million square meters)	9.8	8.6	14.1	16.8	15.1	15.3	N/A	7.7%
Total Fixed Assets Investment (RMB billion)	144.5	187.3	244.2	319.3	351.0	401.2	459.3	18.0%

According to the Changsha Municipal Bureau of Statistics, the city has a total population of 7.2 million. GDP of Changsha has increased from approximately RMB219 billion in 2007 to approximately RMB715 billion in 2013, representing a CAGR of approximately 18.4%. From 2007 to 2013, the CAGR of GFA is 7.7% and the CAGR of fixed assets investments was approximately 18%, an increase from approximately RMB144.5 billion to approximately RMB459.3 billion respectively.

Chengdu

Chengdu is the capital and largest city of the Sichuan province. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Chengdu from 2007 to 2013:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**CAGR** *(%)*
GDP (RMB billion)	332.4	390.1	450.3	555.1	695.1	813.9	910.9	15.5%
Population (million)	11.1	11.2	11.4	11.5	11.6	11.7	16.4	5.7%
GFA (million square meters)	22.3	14.6	27.1	25.6	26.8	28.4	N/A	4.1%
Total Fixed Assets Investment (RMB billion)	239.5	301.3	401.2	425.5	499.6	589.0	650.1	15.3%

According to the Chengdu Municipal Bureau of Statistics, the city has a total population of 16.4 million. GDP of Chengdu has increased from approximately RMB332.4 billion in 2007 to approximately RMB910.9 billion in 2013, representing a CAGR of approximately 15.5%. From 2007 to 2013, The CAGR of GFA is 4.2% and the CAGR of fixed assets investments was approximately 15.3%, an increase from approximately RMB239.5 billion to approximately RMB650.1 billion respectively.

Wuhan

Wuhan is the capital and largest city of the Hubei province. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Wuhan from 2007 to 2013:

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GDP (RMB billion)	314.2	411.6	462.1	556.6	675.6	800.4	925.1	16.7%
Population (million)	8.3	8.3	8.4	8.4	8.3	8.2	30.7	20.6%
GFA (million square meters)	11.4	7.3	10.9	12.1	13.3	15.8	N/A	5.6%
Total Fixed Assets Investment (RMB billion)	173.3	225.2	300.1	375.3	425.5	503.1	600.2	19.4%

According to the Wuhan Municipal Bureau of Statistics, the population is 30.7 million. GDP of Wuhan has increased from approximately RMB314.2 billion in 2007 to approximately RMB925.1 billion in 2013, representing a CAGR of approximately 16.7%. From 2007 to 2013, the CAGR of GFA is 5.6% and the CAGR of fixed assets investments was approximately 19.4%, an increase from approximately RMB173.3 billion to approximately RMB600.2 billion respectively.

Qingdao

Qingdao is the capital and largest city of the Shandong province. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Qingdao from 2007 to 2013:

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GDP (RMB billion)	378.6	443.6	489.0	566.6	661.6	730.2	800.7	11.3%
Population (million)	7.6	7.6	7.6	7.6	7.7	7.7	9.0	2.4%
GFA (million square meters)	8.3	7.7	12.6	13.6	10.3	9.5	11.6	4.8%
Total Fixed Assets Investment (RMB billion)	163.5	201.9	245.9	302.3	350.3	415.4	502.8	17.4%

According to the Qingdao Municipal Bureau of Statistics, the population is 9 million. GDP of Qingdao has increased from approximately RMB378.6 billion in 2007 to approximately RMB800.7 billion in 2013, representing a CAGR of approximately 11.3%. From 2007 to 2013, the CAGR of GFA is 4.8% and the CAGR of fixed assets investments was approximately 17.4%, an increase from approximately RMB163.5 billion to approximately RMB502.8 billion respectively.

Guiyang

Guiyang is the capital and largest city of the Guizhou province. Set out below is a summary that shows the GDP, population, fixed assets investment and the GFA of properties sold in Guiyang from 2007 to 2013:

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GDP (RMB billion)	69.6	81.1	90.3	112.2	138.3	170.0	208.5	17.0%
Population (million)	3.6	3.6	3.7	3.7	3.8	3.7	4.5	3.3%
GFA (million square meters)	4.4	4.1	8.2	8.0	8.1	10.2	N/A	15.1%
Total Fixed Assets Investment (RMB billion)	50.0	60.2	78.3	101.9	160.1	248.3	195.8	21.5%

According to the Guiyang Municipal Bureau of Statistics, the population is 4.5 million. GDP of Guiyang has increased from approximately RMB69.6 billion in 2007 to approximately RMB208.5 billion in 2013, representing a CAGR of approximately 17%. From 2007 to 2013, the CAGR of GFA is 15.1% and the CAGR of fixed assets investments was approximately 21.5%, an increase from approximately RMB50 billion to approximately RMB195.8 billion respectively.

(vi) Our analysis

We noted that, after the 2013 Acquisition, the Company has been actively diversifying its business into the area of property investment and property development through the acquisition of land use rights in Changsha, Qingdao, Tianjin and Chengdu as set out in the announcements of the Company dated 26 May 2013, 20 October 2013, 12 February 2014, 9 July 2014 and 15 October 2014, on top of its original business in distribution of information products in Hong Kong and the PRC. According to the 2013 annual report of the Company, the Group recorded an increase in net assets which was mainly attributable to the increase in the properties under development, properties held for sale and the investment properties of the Group resulting from the 2013 Acquisition and additional investments in the property development projects made by the Group during the year 2013. The 12 property development projects in the Acquired Group will further increase the land bank and net assets of the Enlarged Group and thus improve the financial position of the Group.

On the other hand, the Acquisition represents a valuable opportunity for the Company to acquire a sizable portfolio of property development and investment interests covering seven cities nationwide and enables the Group to rapidly expand its property portfolio in one step and tap into the PRC property market in a fast manner. Through the Acquisition, the Group is also able to secure a sizable amount of land bank which could support its revenue stream in the medium to long term when the various property development projects are completed. It is expected that the asset base of the Enlarged Group will increase significantly with the majority of the assets being the properties under development. Given the current economic environment in the PRC with more stringent approval on bank loans, we concur with the view of the Directors that the enlarged asset base of the Enlarged Group with quality assets and the growth potential of the Acquired Projects will enable the Enlarged Group to obtain equity and debt financing to support its future business expansion and development from overseas market. In addition, the Acquired Projects are in various stages of development with the approvals and/or consents from the relevant PRC government authorities. We believe the risk of undertaking the Acquired Projects by the Group after the Acquisition will be relatively lower than initiating a property development through the acquisition of land use rights. We also noted from the information provided by the Company that the expected year of completion of most of the property projects ranges from 2015 to 2018 and only a small portion of the properties had been pre-sold as at 30 June 2014. The Acquired Projects represent long-term investment opportunities to the Group and the Group will be able to realize revenue from the sale of the properties upon their completion for years to come.

We also noted from the information provided by the Company that certain portion of the Acquired Projects has been pre-sold under various sale and purchase contracts. Based on the generally accepted accounting treatment of property development companies, when properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit being issued by the relevant authorities and the significant risks and rewards of the properties being passed to the purchasers. Payments received from purchasers in relation to the pre-sold units are recorded as customers' deposits received in the balance sheet of the Group. Although the Acquired Projects will not bring about immediate positive effect in the form of accounting earnings to the Group, the previous presold properties and further pre-sale of the Acquired Projects enable the Acquired Group to generate positive cashflow arising from the customers' deposit to the Group and the Group will realise the revenue upon completion of the properties under development in future.

Besides, as we noted in the paragraph headed "The PRC property market" above, the property markets in the PRC and the Target Cities have been experiencing continuous rapid growth in the past years which coincided with the growth of the economy of the PRC in general. Although the growth in both the property markets and the economy of the PRC have been slowing and the property prices no longer experiencing strong growth since 2014, we consider that the Acquisition allows the Group to enter into these markets, and over the medium to long term, benefit from the expected growth of the property market, especially in the Target Cities, when the economy restores its previous momentum in future. Further, with the PRC government's continuous efforts to restrain speculation and encourage self-occupation in the residential market, investment in residential development has maintained at a low level. As a result, market demand, which remains strong as population and GDP in these Target Cities continue to rise and leading to the demand for improved living standards, outpaces overall supply in the residential sector. As set out in the Letter from the Board, in order to lower inventory level, more than 30 cities in the PRC have already canceled or considerably lifted their house-purchase-quota policies, leaving only five cities on the remaining list. Also, there is policy stipulating banks to lower the percentage of down payment and mortgage interest rate. We are of the view that these measures would contribute to greater demand being released and market absorption. Therefore, we concur with the view of the Directors that the Acquisition is an opportunity for the Company to further tap into the PRC property market, thus creating value for the Shareholders. Nonetheless, we would also like to draw your attention to the risks relating to property development and the governmental regulations in the PRC that could affect the operations of the Acquired Group as set out in the section headed "Risk factors" of the Circular which includes:

(a) the Acquired Group may not always be able to obtain sites that are suitable for property development;

(b) the Acquired Group faces intense competition from other real estate developers;

(c) the results of operations of the Acquired Group may be adversely affected if it fails to obtain or complete, or if there are material delays in obtaining or completing, requisite governmental approvals or registration for its property developments;

(d) the Acquired Group may be subject to potential risks in relation to pre-sale and/or sale of properties;

(e) the new business is dependent on the performance of the property market in the PRC;

(f) the operations of the Acquired Group are subject to extensive governmental regulations, and the PRC government may introduce further measures to curtail growth in the property sector; and

(g) the ever-changing economic, political and social conditions in the PRC could affect the Acquired Group's business and prospects.

We believe that such risks lead to a degree of uncertainty to the operations of the Acquired Group but the financial impact to the Acquired Group is not easily quantifiable.

Furthermore, we noted that both Peking University and PKU Resources Group have been working with the Acquired Group to incorporate the elements of education and medical services and an online service platform to the Acquired Projects which could bring in unique features to the Acquired Projects and thus increasing their appeal to the market. PKU Resources Group is owned as to 40% by PKU Asset Management, which is in turn owned by Peking University under the approval by the State Council of the PRC. PKU Resources Group has been engaged in the property development business since 1992 and has established a very good relationship with local government. The Enlarged Group will be able to make use of the platform and the brand of PKU Resources Group to develop its property business in China. Therefore, the Acquisition is beneficial to the Group with the support from Peking University and PKU Resources Group, as opposed to merely acquiring property projects from third parties which will usually involve a higher level of completion risks and a longer period of time with regards to, including but not limited to, negotiation of transaction terms, due diligence work and/or procedures for public auction. The Acquisition will also bring in the management team of the PRC Operating Subsidiaries of the Acquired

Group. We noted from the Letter from the Board that management team of the PRC Operating Subsidiaries has more than 10 years of experience in overseeing the property development business in general and they are familiar with the operating environment of the respective Target Cities. Thus, the synergy created from the incoming management team will enhance the Group's capability to develop its property business in the respective Target Cities.

Finally, we note that the Company has conducted procedures to ensure the feasibility of the prospect of the Acquired Group including (i) engaging PRC legal adviser, reporting accountant and a property valuer to issue opinion/report in respect of the Acquired Group; (ii) conducting site visits on the property interests owned by the Acquired Group and discussed with the management to understand its business; and (iii) conducting research on the industry overview regarding the future prospect of real estate industry in the PRC. We also note that no material irregularities have been found by the Company as a result of the due diligence conducted.

Based on the above, we consider that the Acquisition is in line with the current business strategy of the Group to further expand its existing PRC property business with growth potential. We also consider that there is a strong commercial rationale for the Company to enter into the S&P Agreement as the Acquisition represents a good opportunity for the Company to increase its land bank, which in turn will increase its market share and strengthen its competitive edges and may enhance the profitability of the Company in mid to long term. Moreover, the Acquisition allows the Company to enter into new market in the western part of the PRC and expand the geographical coverage of the Group which may help to promote its brand on a nationwide basis.

2. Terms of the Acquisition

(i) Consideration

Pursuant to the S&P Agreement, the total consideration for the Acquisition is HK$1,934 million, including HK$1,361 million for the Offshore Acquisition and HK$573 million for the Onshore Acquisition. Due to the relevant PRC regulations regarding foreign exchanges, the Onshore Acquisition shall be satisfied in cash. Payment of the Consideration will be made through the combination of the Company's internal cash, the issuance of Consideration Shares to Founder Information and/or all or part of the cash proceeds from the issuance of Placement Shares and/or all or part of the cash proceeds from the issuance of Additional Shares.

The consideration was determined among the parties after arm's length negotiations and taking into consideration, among other things, the consolidated net asset values of the Acquired Group after being adjusted for, among other things, the capital contribution of Fine Noble of RMB869,999,988 as one of the conditions precedents for the Acquisition and the increase in fair value of the property projects as at 30 September 2014. As the property projects were carried at historical cost in the financial statements of the Acquired Group and therefore, did not truly reflect the current market value of the property projects, adjustment would need to be made in respect of the increase in the fair value of those property projects. The valuation of the Acquired Group was performed by the Independent Valuer, its valuation report and the corresponding adjustments made are set out in Appendix V of the Circular.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have reviewed and enquired the qualification and experience of the Savills Valuation and Professional Services Limited (the "Independent Valuer") in charge of the valuation. We have checked the website of SASAC and noted that the Independent Valuer is on the recognized list of valuation companies. Meanwhile, we understand from our enquiry with the Independent Valuer that it is a third party independent of the Group and/or Peking Founder and/or PKU Resources Group and the connected persons of the Group and/or Peking Founder and/or PKU Resources Group and the Independent Valuer did not have any business relationship and the current engagement is the first project between them. We have also reviewed the scope of services provided under the engagement of the Independent Valuer by the Company and we note that the scope of work is appropriate to the opinion given and there were no limitations on the scope of work. Thus, we consider that the Independent Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Assets.

As set out in the valuation report prepared by the Independent Valuer (the "Valuation Report"), the fair value of the Acquired Projects was approximately RMB15,218 million as at 30 September 2014. Based on our review of the Valuation Report and our discussion with the Independent Valuer, we noted that for the property interests which are (i) held by the Acquired Group for sale in the PRC; and (ii) held by the Acquired Group for future development in the PRC, the valuation has been prepared by direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sale transactions as available in the relevant markets. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

It was assumed that property interests which are currently held under development will be developed and completed in accordance with the latest development proposal provided by the Acquired Group. These property interests were valued by adopting the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and taking into account (i) the accrued construction cost and professional fees relevant to the respective stage of construction as at the valuation date; and (ii) the remainder of the cost and fees that are expected to be incurred for completing the development. We consider this methodology and the underlying assumptions to be a commonly adopted approach and justifiable. Details of the valuation of the properties of the Acquired Group are contained in the property valuation report set out in Appendix V to the Circular.

Based on our review and analysis of the Valuation Report, we considered that the valuation approaches adopted are common valuation methodologies in appraising such assets and the basis and assumptions adopted by the Independent Valuer for the valuation are fair and reasonable. Upon comparison to the NAV of the Acquired Group adjusted for the valuation, we note that the Consideration represents a discount of approximately 32% to the adjusted NAV.

Analysis of comparable very substantial acquisitions

As the Acquired Group is principally engaged in property development business, the analysis on the ratio of the consideration to the adjusted net asset value of the target company or target group (the "price-to-book ratio") is a commonly used assessment approach for this type of asset based companies. As the earnings of property development companies are likely to fluctuate widely depending on the timing of completion and sales of the property development projects which may lead to possible distortions on the results of a price-to-book ratio analysis. Accordingly, we consider the price-to-book ratio analysis a more appropriate approach to assess the valuation of the properties companies. We have identified an exhaustive list of nine comparable very substantial acquisitions ("Comparable Transactions") conducted during the period from 1 January 2012 up to the Latest Practicable Date for comparison purpose. In selecting the Comparable Transactions, we have focused on very substantial acquisitions which involved the acquisition of properties and the consideration was arrived at with reference to the adjusted net asset value of the target company or target group. We consider that the analysis of Comparable Transactions is appropriate for the purpose of considering whether the terms of the Consideration are fair and reasonable by comparing them to those of the Comparable Transactions as it allows the Shareholders to appraise whether, on a relative basis, the Consideration is at reasonable discounts compared to the Comparable Transactions.

To the best of our knowledge, the Comparable Transactions represent all comparable very substantial acquisitions based on our selection criteria described above. We summarise details of the Comparable Transactions in the following table:

Date of announcement	Company name	Stock code	Principal business of target company or target group	Consideration	Adjusted net asset value of the target company/group	Premium/ (Discount) of consideration to adjusted net asset value
28 May 2012	Yuexiu Real Estate Investment Trust	405	Mixed-use commercial development in the PRC comprising shopping mall, office, hotel, apartment and car parks	RMB13,440,000,000 *(Note 1)*	RMB15,214,763,000 *(Note 2)*	(11.66%)
24 April 2013	Tonic Industries Holdings Limited	978	Development, operation, sale, leasing and management of mixed-use complexes and commercial properties such as shopping malls, hotels, offices, serviced apartments and resort and tourist properties	HK$6,688,037,327	HK$6,688,175,635	0.00%
27 June 2013	Cosmopolitan International Holdings Limited	120	(1) Land in the PRC for hotel, commercial, office and residential purpose (2) Property development project which consists of hotel, commercial, office and residential components in the PRC	HK$2,700,800,000	HK$4,815,701,358	(43.92%)
24 September 2013	The Hong Kong Parkview Group Limited	207	Properties in the PRC for commercial, office, hotel, retail and residential uses	HK$14,167,000,000	HK$22,319,440,957	(36.53%)
23 April 2014	ITC Properties Group Limited	199	Hotel and shopping arcade in the PRC and hotel in Hong Kong	HK$840,000,000	HK$1,025,300,000	(18.07%)
16 June 2014	Kai Yun Holdings Limited	1215	Ownership of a hotel property	€226,000,000	€323,000,000 to €342,000,000	(30.03%) to (33.92%)

Date of announcement	Company name	Stock code	Principal business of target company or target group	Consideration	Adjusted net asset value of the target company/group	Premium/ (Discount) of consideration to adjusted net asset value
15 August 2014	Juda International Holdings Limited	1329	Developing and investing in commercial properties, outlets-backed integrated properties and medium to high-end residential properties, operation of hotels, property consulting services and investment holding	HK$1,963,400,000	HK$2,607,436,919	(24.70)%
18 August 2014	China Yunnan Tin Minerals Group Company Limited	263	Development, construction and building management of residential and commercial complex in the PRC	HK$370,000,000	HK$502,134,070	(26.31)%
3 November 2014	COFCO Land Holdings Limited	207	Property development, operation, sale, leasing and management of mixed-use complexes and other commercial properties	HK$12,459,785,272	HK$20,001,000,000	(37.70)%
					Maximum	0.00%
					Minimum	(43.92)%
					Mean	(29.22)%
					Median *(Note 3)*	(33.92)%
	The Company	618	The Acquired Projects	HK$1,934,000,000	HK$2,855,368,000	(32.27)%

Source: www.hkexnews.hk

Notes:

1. The total consideration of RMB13,440 million represented the consideration of RMB8,850 million and after taking into account the assumption of the outstanding construction facility of RMB4,500 million and the value of the effective non-controlling interest of RMB90 million.

2. The amount represented 98.99% interest in the target property with an appraised value of RMB15,370 million.

3. In computing the mean and median of the Comparable Transactions, we have adopted the discount of consideration to adjusted net asset value ratio of 33.92% in respect of the transaction of Kai Yun Holdings Limited (stock code: 1215).

Based on the analysis of the Comparable Transactions set out in the table above, we note that the consideration for all the Comparable Transactions represent discounts to the adjusted net asset value of their respective target companies and the 32.27% discount of the consideration to the adjusted net asset value of the Acquired Group is greater than the mean of the Comparable Transactions (i.e. a deeper discount) and comparable to the median the Comparable Transactions and it falls within the range of discounts of the Comparable Transactions. Accordingly, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Mode of settlement of the Consideration

Pursuant to the S&P Agreement, the Consideration will be satisfied through the combination of the Company's internal cash, the issuance of Consideration Shares to Founder Information and all or part of the cash proceeds from the issuance of Placement Shares and/or all or part of the cash proceeds from the issuance of Additional Shares. The Consideration Shares and the Placement Shares will be allotted and issued pursuant to a specific mandate proposed to be obtained at the SGM and shall rank pari passu with the Shares in issue. It is a common practice in the market to settle the consideration by a combination of the issuance of consideration shares and placing of shares.

The Issue Price of the Consideration Shares is expected to be not less than HK$0.65 per Share and not more than HK$0.85 per Share. The final Issue Price will be arrived at through a book building process and after arm's length negotiations between the Company and the Placing Agent with reference to the price range described above.

The low end of the range of the Issue Price of HK$0.65 per Share represents:–

- a discount of approximately 40.4% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on 3 September 2014, being the last trading day prior to the release of the announcement dated 16 September 2014 in relation to, among others, the Acquisition and the Master Loan Agreement (the "Last Trading Day");

- a discount of approximately 40.9% to the average closing price of approximately HK$1.10 per Share for the last five trading days up to and including the Last Trading Day;

- a discount of approximately 39.8% to the average closing price of approximately HK$1.08 per Share for the last 10 trading days up to and including the Last Trading Day;

- a discount of approximately 31.6% to the average closing price of approximately HK$0.95 per Share for the last 30 trading days up to and including the Last Trading Day;

- a discount of approximately 19.8% to the average closing price of approximately HK$0.81 per Share for the last 90 trading days up to and including the Last Trading Day;

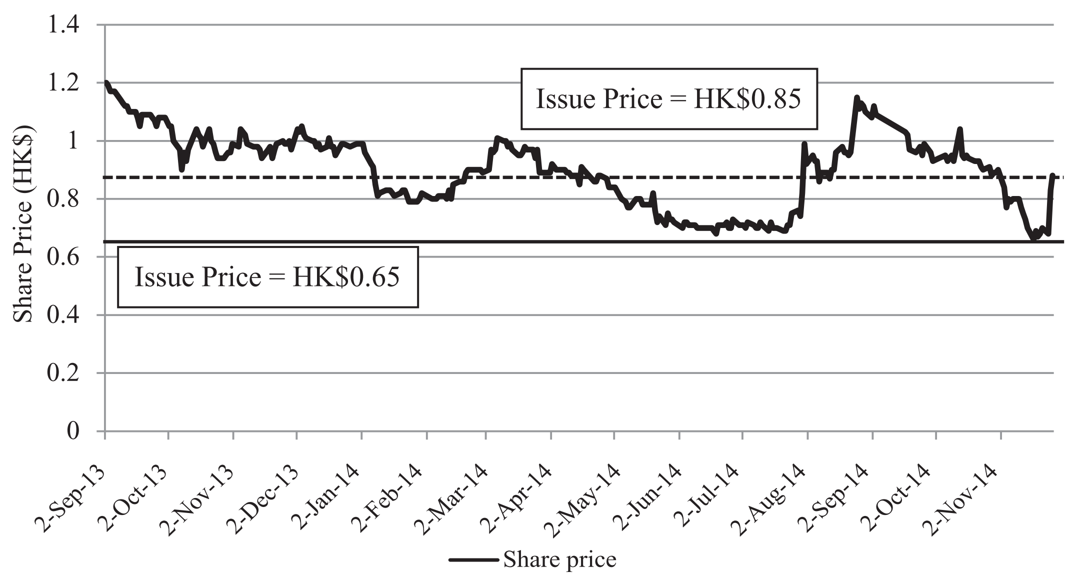
- a discount of approximately 20.7% to the closing price of approximately HK$0.82 per Share on the Latest Practicable Date; and

- a premium of approximately 1.7% over the net assets value per Share of HK$0.639 as at 31 December 2013 based on the latest published audited financial information of the Group as shown in the Company's 2013 annual report and the total number of issued Shares as at the Latest Practical Date.

For the purpose of assessing of the fairness and reasonableness of the Issue Price, the following approaches are further taken into consideration:

(a) Historical share price performance

For the purpose of further comparing the Issue Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 2 September 2013 to 3 September 2014 (being the Last Trading Day) and further up to the Latest Practicable Date (the "Review Period") as follows:



Source: Infocast

As shown in the chart above, the closing price of the Share ranged from HK$0.67 on 19 November 2014 to HK$1.20 on 2 September 2013. The Issue Price, being HK$0.65, is at the low end of the price range of the Share during the Review Period.

During the Review Period, the closing price of the Share has been on a downward trend from 2 September 2013 to early January 2014. The closing price of the Share decreased gradually from the highest closing price during the Review Period of HK$1.20 per Share on 2 September 2013 to HK$0.80 per Share in early January 2014 and the closing price remained flat from early January 2014 to 13 February 2014 before it increased abruptly from HK$0.850 per Share on 14 February 2014 to HK$1.01 per Share on 7 March 2014. It then gradually retreated to the lowest closing price of HK$0.68 per Share on 19 June 2014 and remained stable until 24 July 2014, when it rebounded sharply from HK$0.71 per Share to HK$1.15 per Share on 25 August 2014. Thereafter, the share price began to drop again and reached HK$0.67 per Share on 19 November 2014. It bounced back again from HK$0.67 per Share to HK$0.82 per Share by the end of November 2014.

The Issue Price represents a discount of approximately 3.0% over the lowest closing price per Share and a discount of approximately 45.8% to the highest closing price per share during the Review Period. The Issue Price also represents a discount of approximately 20.7% to the closing price of the Shares of HK$0.82 on the Latest Practicable Date.

(b) Net asset value

The Group is engaged in property development and property investment in the PRC, and distribution of information products in Hong Kong and the PRC where substantial portion of the asset of the Group were related to real estate business. As discussed above, the price-to-book ratio analysis is a more appropriate approach to assess the valuation of the properties companies and by the same token, we consider comparing to the respective premium/(discount) against the net assets of the companies listed on the main board of the Stock Exchange which are principally engaged in property development and property investment in the PRC would be relevant and appropriate in assessing the fairness and reasonableness of the Issue Price. Therefore, we have identified 128 companies listed on the main board of the Stock Exchange which are principally engaged in property development and property investment in the PRC which we consider are principally engaged in similar businesses of the Company and we shortlisted 17 companies (the "Property Comparables") out of the 128 companies above based on similar market capitalization (i.e. with market capitalization of less than HK$5,000 million) for closer comparison. The details of the Property Comparables are set out below:

We have reviewed and tabulated below the premium/(discounts) of the closing share prices of the Property Comparables as at 3 September 2014 over/(to) their respective net asset value as reported in their latest published financial reports:

Company name	Stock code	Principal activities	Market Capitalization	Closing share price as at 3 September 2014	Latest net asset value per Share	Premium/(discount) of the closing share price on 3 September 2014 over/(to) the latest published net assets value per share
			(HK$ million)	*(HK$)*	*(HK$)*	
Talent Property Group Ltd.	00760.HK	Property development, property investment and property related activities.	3,035	0.94	0.08	1,075%
Chuang's China Investments Ltd.	00298.HK	Property investment and development, hotel operation and management, manufacturing and sale of watch components and merchandise, and securities investment and trading.	910	0.57	1.60	(64%)
Great China Properties Holdings Ltd	00021.HK	Property development and investment, investment holding and security investment.	961	0.290	0.35	(17%)
Richly Field China Development Ltd	00313.HK	Property development, property management, building construction and maintenance and trading of fashion wears and accessories.	1,159	0.13	0.03	333%
Coastal Greenland Ltd	01124.HK	Property development, property investment, provision of property management services and project management and construction services.	1,235	0.295	1.18	(75%)
SRE Group Ltd	01207.HK	Real estate development, property leasing and hotel operations in Mainland China.	1,280	0.226	1.69	(87%)
Golden Wheel Tiandi Holdings Co. Ltd	01232.HK	Property development and property leasing.	1,460	0.81	1.96	(59%)

Company name	Stock code	Principal activities	Market Capitalization (HK$ million)	Closing share price as at 3 September 2014 (HK$)	Latest net asset value per Share (HK$)	Premium/(discount) of the closing share price on 3 September 2014 over/(to) the latest published net assets value per share
Sinolink Worldwide Holdings Ltd	01168.HK	Property development, property management and property investment.	2,478	0.70	2.44	(71%)
Lai Fung Holdings Ltd	01125.HK	Property development for sale and property investment for rental purposes.	2,833	0.176	0.75	(77%)
Top Spring International Holdings Ltd	03688.HK	Development and operation of urban mixed-use communities and the development and sale of residential properties in the Pearl River Delta, the Yangtze River Delta, the Central China, the Beijing-Tianjin and the Chengdu-Chongqing regions in the PRC.	2,983	2.57	4.87	(47%)
Tian Shan Development (Holding) Ltd	02118.HK	Development and sale of properties in the People's Republic of China.	3,320	3.32	1.75	90%
China Aoyuan Property Group Ltd	03883.HK	Property development and property investment.	3,730	1.34	1.51	(11%)
Future Land Development Holdings Ltd	01030.HK	Property development, property investment and property management business in China.	3,855	0.68	1.21	(44%)
C C Land Holdings Ltd	01224.HK	Property development and investment, as well as treasury investments.	4,244	1.64	6.12	(73%)
China New Town Development Co. Ltd	01278.HK	Large-scale new town planning and development in PRC.	4,086	0.415	0.30	38%

Company name	Stock code	Principal activities	Market Capitalization	Closing share price as at 3 September 2014	Latest net asset value per Share	Premium/ (discount) of the closing share price on 3 September 2014 over/(to) the latest published net assets value per share
			(HK$ million)	*(HK$)*	*(HK$)*	
Greenland Hong Kong Holdings Ltd	00337.HK	Property development, property and hotel investment, property management and education.	4,170	3.65	5.00	(27%)
Powerlong Real Estate Holdings Ltd	01238.HK	Property development, property investment, property management, and other property development related services in the PRC.	4,277	1.07	0.82	30%
					Maximum	1,075%
					Minimum	(87%)
					Mean	54%
					Median	(44%)
The Company	00618.HK	Distribution of information products, property development and property investment.	2,614	1.09	0.60	82%
Issue Price	Scenario I			0.65	0.60	8.3%
	Scenario II			0.85	0.60	41.7%

Source: www.hkex.com.hk and Infocast

The premia/(discounts) of the closing share price on the Last Trading Day over/(to) the net assets value per share of the Property Comparables range from a discount of approximately 87% to a premium of 1,075%. Upon comparison, we note that the premium of approximately 8.3% and 41.7% as represented by the Issue Price of HK$0.65 per Share and of HK$0.90 per Share respectively to the net assets value per Share of HK$0.85 as at 30 June 2014 lies well above the median and lies within the range of the Comparables.

Based on the above and notwithstanding the discount of the Issue Price to the closing price of the Shares on the Latest Practicable Date, we consider that the Issue Price is fair and reasonable so far as the Shareholders are concerned.

(c) Analysis of comparable transactions with the issuance of consideration shares as part of the consideration

In order to assess the fairness and reasonableness of the issue price of the Consideration Shares, we have conducted a research on all issues of consideration shares by listed companies in the Stock Exchange from 1 January 2014 up to and including 3 September 2014, being the Last Trading Day in relation to acquisitions by listed companies in Hong Kong involving the issue of consideration shares as part of the consideration (the "CS Comparables"). The purpose of this analysis is to compare the issue price of the Consideration Shares with those of the CS Comparables in the recent stock market environment. We note that during 1 January 2014 up to and including 3 September 2014, being the Last Trading Day, companies listed in Hong Kong with business similar to the Company has no consideration shares issuance. We consider the CS Comparables appropriate although the business, operation and prospects of the Company are not the same as the issuers of the CS Comparables and we have not conducted any in-depth investigation into the business and operation of the issuers of the CS Comparables. Based on our research conducted according to the abovementioned criteria, we have identified a list of 28 CS Comparables and we consider that the CS Comparables is an exhaustive list of those fair and representative comparables for comparison purpose:

							Premium/(discount) of issue price of consideration shares over/(to)	
Date of announcement	**Company name**	**Stock code**	**Market Cap at the last trading day**	**Issue price**	**Closing price prior to announcement**	**Net asset value per share**	**Closing price prior to announcement**	**Respective latest published net asset value** *(Note 1)*
							%	%
10 January 2014	Agritrade Resources Limited	1131	393,092,752	0.50	0.67	2.44	(25)	(79)
17 January 2014	China Vanguard Group Ltd.	8156	2,949,620,979	3.14	3.91	0.05	(20)	5,658
27 January 2014	Shenzhen Investment Limited	604	14,528,849,324	3.286	2.70	4.62	22	(29)
30 January 2014	Seamless Green China (Holdings) Limited	8150	617,893,871	1.16	1.17	0.13	(1)	784
5 February 2014	Far East Holdings International Limited	36	193,059,152	0.425	0.425	0.988	0	(57)
12 February 2014	Symphony Holdings Ltd.	1223	915,102,357	0.48	0.435	1.12	10	-57

Date of announcement	Company name	Stock code	Market Cap at the last trading day	Issue price	Closing price prior to announcement	Net asset value per share	Premium/(discount) of issue price of consideration shares over/(to) Closing price prior to announcement	Premium/(discount) of issue price of consideration shares over/(to) Respective latest published net asset value *(Note 1)*
							%	%
24 February 2014	Beijing Development (Hong Kong) Limited	154	2,145,949,977	1.60	2.51	1.08	(36)	48
7 March 2014	Sinoref Holding Limited	1020	953,632,000	0.62	0.68	0.57	(9)	9
28 March 2014	Sino Resources Group Limited	223	582,029,670	0.179	0.179	(0.059)	0	N/A
28 March 2014	Asia Cassava Resources Holdings Limited	841	355,342,000	0.831	0.79	1.49	5	(44)
31 March 2014	Seamless Green China (Holdings) Limited	8150	650,399,592	1.25	1.22	0.06	3	2,148
7 April 2014	Jun Yang Solar Power Investments Limited	397	889,442,025	0.10	0.10	0.12	0	(16)
15 April 2014	Sinopoly Battery Limited	729	9,167,521,478	0.50	0.54	0.04	(7)	1,091
17 April 2014	Kiu Hung Energy Holdings Limited	381	252,483,577	0.15	0.19	0.105	(21)	43
21 April 2014	Changhong Jiahua Holdings Limited	8016	703,500,000	1.00	1.50	2.10	(33)	(52)
30 April 2014	China Household Holdings Limited *(Note 2)*	692	622,420,867	0.59	0.225	0.79	162	(25)
2 May 2014	China Investment Development Limited	204	1,923,106,870	2.45	2.46	0.07	0	3,400
30 May 2014	First China Financial Network Holdings Limited	8123	1,203,919,232	0.30	0.27	0.03	11	1,026
5 June 2014	China Investment Holdings Limited	132	760,530,651	0.632	0.64	0.50	(1)	27

Date of announcement	Company name	Stock code	Market Cap at the last trading day	Issue price	Closing price prior to announcement	Net asset value per share	Premium/(discount) of issue price of consideration shares over/(to) Closing price prior to announcement	Premium/(discount) of issue price of consideration shares over/(to) Respective latest published net asset value *(Note 1)*
							%	%
12 June 2014	China Investment Development Limited	204	1,416,616,493	2.00	1.79	0.07	12	2,757
13 June 2014	North Asia Strategic Holdings Limited	8080	336,484,737	0.223	0.25	0.70	(11)	(68)
4 July 2014	U Banquet Group Holding Limited	8107	316,000,000	0.55	0.79	0.177	(30)	211
7 July 2014	Honbridge Holdings Limited	8137	8,888,421,994	1.48	1.43	1.26	0	18
15 July 2014	Rising Development Holdings Limited	1004	1,887,510,322	0.92	1.27	0.473	(28)	95
16 July 2014	New Times Energy Corporation Limited	166	506,485,818	0.50	0.43	3.38	16	(85)
1 August 2014	Cofco Land Holdings Limited	207	16,194,379,037	2.00	1.91	2.70	5	15
20 August 2014	Town Health International Medical Group Limited	3886	5,493,264,375	1.16	1.19	1.63	(3)	(29)
21 August 2014	China Rongsheng Heavy Industries Group Holdings Limited	1101	9,879,954,616	1.56	1.39	0.88	12	77
						Maximum	162.0	5,658.0
						Minimum	(36.3)	(85.2)
						Mean	1.2	624.6
						Median	(0.2)	17.5
Scenario I	The Company		2,613,787,647	0.65	1.09	0.60	(40.4)	8.3
Scenario II	The Company		2,613,787,647	0.85	1.09	0.60	(22.0)	41.7

Notes:

1. Based on the latest financial information as published in the annual report or interim report of the respective companies prior to the publication of the announcement.

2. China Household issued both consideration shares and convertible bonds for its acquisition.

Based on the above, the premium/(discount) of issue prices of consideration shares of CS Comparables as compared to their respective closing price prior to the Announcement range from a discount of approximately 36.3% to a premium of approximately 162.0% with median at a discount of approximately 0.2% and mean at a premium of approximately 1.2%. The discount of the minimum issue price of the Consideration Shares of HK$0.65 per Share of approximately 40.4% to the closing price of the Shares on the Last Trading Day and the discount of the maximum issue price of the Consideration Shares of HK$0.85 per Share of approximately 22.0% to the closing price of the Shares on the Last Trading Day both lie below the median of the abovementioned range (i.e. at a deeper discount) and within the range of the CS Comparables.

We have further compared the issue prices of consideration shares of CS Comparables with their respective latest published net asset value per share. We noted that issue prices of consideration shares of CS Comparables as compared with their respective latest published net asset value per share range from a discount of approximately 85.2% to a premium of approximately 5,658.0% with median at a premium of approximately 17.5% and mean at a premium of approximately 624.6%. The premium of the minimum issue price of the Consideration Shares of HK$0.65 per Share and the premium of the maximum issue price of the Consideration Shares of HK$0.85 per Share of approximately 8.3% and 41.7% respectively to the net asset value per Share as shown in the 2014 Interim Report both lie above the median of the abovementioned range (i.e. at a premium to the median) and within the range of the CS Comparables.

Having considered the minimum issue price of the Consideration Shares of HK$0.65 per Share (i) represents a premium of 8.3% over the net asset value per Share of HK$0.60 as at 30 June 2014 and (ii) lies within the range of the CS Comparables, and notwithstanding that the minimum issue price of the Consideration Shares of HK$0.65 per Share represents a discount of 40.4% to the closing price of the Shares on the Last Trading Day, we are of the view that the issue price of the Consideration Shares is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Based on the above analysis and from the sole perspective assessment of the Issue Price with reference to the Property Comparables in terms of the net asset value as a whole, we consider that the Issue Price is acceptable so far as the Independent Shareholders are concerned. Moreover, in view that the Issue Price falls within the range of discounts of CS Comparables, we consider that the mode of settlement of the Consideration through the combination of the Company's internal cash, the issuance of Consideration Shares and the cash proceeds from the issuance of Placement Shares and the issuance of Additional Shares is on normal commercial terms, fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

3. *Financial effects of the Acquisition*

Upon Completion, the Company will have majority interest in the Acquired Group and all members of the Acquired Group will then become direct/indirect subsidiaries of the Company. The results, assets and liabilities of the Acquired Group will be consolidated into the consolidated financial statements of the Group thereafter. The following summarises the financial impact of the Acquisition on the Group as if the Acquisition had been completed on (i) 1 January 2014 in respect of the unaudited pro forma consolidated statement of comprehensive income and statement of cash flows of the Enlarged Group; and (ii) 30 June 2014 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

(i) Effect on earnings

The total comprehensive income attributable to owners of the parent of the Group for the year ended 31 December 2013 was approximately HK$77.3 million. According to the pro forma financial information as shown in Appendix III to the Circular, the Group will record unaudited pro forma total comprehensive loss attributable to owners of the parent of the Group of approximately HK$118.0 million as a result of the Acquisition. The substantial pro forma total comprehensive loss attributable to owners of the parent of the Group upon consolidating the results of the Acquired Group was attributable to the nature of the accounting treatment to record the revenue of properties companies. The pre-sold units of the properties which generated cash flow to the Acquired Group were not recorded as revenue upon signing of the pre-sale contract with the customers while such amount was only recorded as other payables and accruals in the consolidated balance sheet. These other payables and accruals are deferred revenue in nature and the deferred revenue from the pre-sold properties will only be realized upon completion of the relevant pre-sold properties and titles of the properties are passed to the customers. As it generally takes more than one year to develop the property projects before its completion, revenue from the pre-sale contracts can only be recognized upon completion of the property projects and the titles of the properties are passed to the customers in stages. Therefore, the revenue and earnings of property development companies would fluctuate significantly from year to year.

(ii) Effect on gearing and working capital

According to the 2014 Interim Report, the Group's gearing ratio on the basis of interest-bearing borrowings divided by total equity attributable to owners of the parent was approximately 2.66 as at 30 June 2014. According to the pro forma financial information in Appendix III to the Circular, the interest-bearing borrowings, and total equity attributable to owners of the parent would have been approximately HK$19,693 million and approximately HK$3,749 million respectively as at 30 June 2014. Consequently, the unaudited pro forma gearing ratio of the Enlarged Group would be increased to approximately 5.25 as at 30 June 2014. Moreover, the Group had cash and cash equivalents of HK$497 million as at 30 June 2014. The cash and cash equivalents of the Enlarged Group would be increased to HK$1,808 million. As aforementioned, the Consideration will be satisfied by the issuance of the Consideration Shares and Placement Shares as shown in the pro forma consolidated statement of financial position of the Group as set out in Appendix III to the Circular. Together with the consolidation of the Acquired Group's assets, the cash and cash equivalent of the Group will increase to approximately HK$3,735 million immediately after Closing.

(iii) Effect on net asset value

According to the 2014 Interim Report, as at 30 June 2014, the unaudited consolidated net assets attributable to owners of the parent and the net asset value attributable to owners of the parent per Share were approximately HK$1,091 million and approximately HK$0.455 respectively.

According to the unaudited pro forma financial information in Appendix III to the Circular, using the fair value on properties under development, investment properties and land use right determined with reference to the valuation as at 30 September 2014 prepared by the Independent Valuer, as a result of the Acquisition, the unaudited pro forma net asset value attributable to owners of the parent as at 30 June 2014 will be increased to approximately HK$3,749 million. Assuming the Issue Price is HK$0.65 per Share and after the issuance of 2,093,846,153 Consideration Shares and 3,076,923,076 Placement Shares but the Additional Shares were not issued resulting in the total number of issued shares of the Enlarged Group to be 7,568,739,547 Shares, the unaudited pro forma net asset value attributable to owners of the parent per Share will be increased to HK$0.495. On the other hand, assuming the Issue Price is HK$0.85 per Share and after the issuance of 1,601,176,470 Consideration Shares and 2,352,941,176 Placement Shares but the Additional Shares were not issued resulting in the total number of issued shares of the Enlarged Group to be 6,352,087,964 Shares, the unaudited pro forma net asset value attributable to owners of the parent per Share will be increased to HK$0.590.

On such basis, we are of the view that the transactions under the S&P Agreement will have a positive effect on the Group's earnings, net asset value, gearing and working capital. Thus, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Recommendation

Having considered the principal factors and reasons, we are of the opinion that the entering into of the S&P Agreement is in the ordinary course of business of the Group, the terms of the S&P Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM for approving the S&P Agreement and the transactions contemplated thereunder.

THE CONTINUING CONNECTED TRANSACTIONS

On 16 September 2014, the Company entered into the Master Loan Agreement with PKU Resources Group pursuant to which the Group can borrow loans from PKU Resources Group, its associates and independent financial institutions designated by PKU Resources Group and its associates to fund their property projects. The proposed annual caps for all the transactions contemplated under the Master Loan Agreement for each of the two years ending 31 December 2014 and 31 December 2015 are RMB1,131.2 million (equivalent to approximately HK$1,424.1 million) and RMB1,131.2 million (equivalent to approximately HK$1,424.1 million).

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Master Loan Agreement and transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background of and reasons for the Master Loan Agreement and transactions contemplated thereunder

Background of the Master Loan Agreement

Based on the information provided by the management of the Company, Peking Founder entered into entrusted loan agreements with trust companies in the PRC to PKU Resources Group and these loans were secured by the land parcels of the project companies.

On 16 September 2014, the Company entered into the Master Loan Agreement with PKU Resources Group pursuant to which the Group can borrow loans from PKU Resources Group, its connected persons and independent financial institutions designated by PKU Resources Group and its connected persons to fund their property projects at an interest rate of not more than 12% per annum for a term from the date of the Master Loan Agreement up to 31 December 2015. PKU Resources Group then on-lends the principal amount of the loans to certain project companies of the PRC Operating Subsidiaries.

As at the Latest Practicable Date, PKU Resources Group is an associate of PKU Asset Management, by virtue of PKU Asset Management being able to exercise or control the exercise of more than 30% of its voting power. As PKU Asset Management is a controlling shareholder of the Company, each of its associates is a connected person of the Company under the Listing Rules. Upon Completion, the PRC Operating Subsidiaries will become subsidiaries of the Group, accordingly, the transactions contemplated under the Master Loan Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Reasons for the Master Loan Agreement

As stated in the Letter from the Board, the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the transactions contemplated under the Master Loan Agreement enable the Group to use its internal resources more efficiently and more flexible resource allocation amongst the Group. In view of the recent stringent banking policies in the PRC, it is difficult for property companies, particularly those at the initial stages of property development, to obtain financing with favourable terms from independent financial institutions in the PRC. In order to ensure a continued capital support for the Enlarged Group to develop its property projects, entering into loan agreements with PKU Resources Group and its associates and independent financial institutions designated by PKU Resources Group and its associates at an interest rate of not more than 12% pursuant to the Master Loan Agreement can effectively reduce the working capital pressure of the Enlarged Group.

We note that as a result of the economic growth and increasing property investments in the PRC in recent years, the PRC government has adopted various measures and policies to curtail or slow down the property investments, including, among others, (1) rising minimum down-payment and tightening regulations governing mortgage lending to property purchaser; and (2) limiting the financing from banks to property developers that hold a large amount of idle land and vacant commodity properties. Therefore, we are of the view that there is a need for the Group to obtain financing from other channels to fund the property development projects amid the prevailing market conditions. If the Group could not obtain the necessary financing to fund the development of the property projects, the risk of the land parcels becoming idle land will increase.

We also noted that the Group has obtained quotation from several independent financial institutions and the interest rates quoted for loans made to the Acquired Group were either at or higher than 12%. However, on comparison with the quotation, the terms of the loans offered by PKU Resources Group with similar arrangement under the Master Loan Agreement are more favourable to the Group. Therefore, we concur with the view of the Directors to obtain financing from PKU Resources Group which could enable the Group to use its internal resources more efficiently.

2. The proposed annual caps

The proposed annual caps (the "Proposed Caps") for all the transactions contemplated under the Master Loan Agreement for each of the two years ending 31 December 2014 and 31 December 2015 are RMB1,131.2 million (equivalent to approximately HK$1,424.1 million) and RMB1,131.2 million (equivalent to approximately HK$1,424.1 million).

The annual caps are determined in accordance with (i) the weighted average historical interest rate of approximately 12% for loans charged to the Acquired Group by PKU Resources Group and its associates as at 16 September 2014; (ii) the expected interest rate to be charged; and (iii) the repayment schedule of the respective loans.

Pursuant to the terms of the Master Loan Agreement, the interest rate of the loan shall be not more than 12% per annum which is repayable by 31 December 2015, and the sum of the principal amount and the interests accrued shall be less than RMB1,131.2 million (equivalent to approximately HK$1,424.1 million) and RMB1,131.2 million (equivalent to approximately HK$1,424.1 million).

We were provided with recent quotation made with several independent financial institutions in 2014 and we noted that the interest rates quoted for loans made to the project companies of the PRC Operating Subsidiaries pledged with land parcels were in the range from 14% to 18% per annum. Upon comparison, we noted that the loan under the Master Loan Agreement at an interest rate of not more than 12% per annum with the same repayment term is more favourable than obtaining loans from independent financial institutions. We were also provided with the loan agreements between the Acquired Group and PKU Resources Group and noted that the interest rates charged under these loans were around 11.5%. Further, we have also reviewed the loan agreements of the project companies of the Acquired Group entered into with independent financial institutions pledged with land parcels and guaranteed by either Peking Founder or PKU Resources Group and noted that the interest rates of the loans ranged from 10% to 13%. We noted that the interest rate under the Master Loan Agreement is within the range of the historical interest rate charged to the Acquired Group.

Based on the above, we concur with the said view of the Directors and consider that the terms of the Master Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. The conditions

As the relevant applicable ratios under Rule 14.07 of the Listing Rules for the transactions contemplated under the Master Loan Agreement, on an annual basis, exceeds 5%, the transactions contemplated under the Master Loan Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval under the Listing Rules.

The Company will therefore seek the approval by the Independent Shareholders of the Non-exempted Continuing Connected Transactions and the Proposed Caps subject to the following conditions:

1. The Non-exempted Continuing Connected Transactions will be:

   (i) entered into by the Group in the ordinary and usual course of its business;

   (ii) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

   (iii) entered into in accordance with the terms of the relevant framework agreements governing the Non-exempted Continuing Connected Transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole;

2. The transacted amount of the transactions under the Non-exempted Continuing Connected Transactions shall not exceed the Proposed Caps;

3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account the conditions attached to the Non-exempted Continuing Connected Transactions, in particular (i) the restriction by way of setting the Proposed Caps; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the Non-exempted Continuing Connected Transactions, we consider that the Company has taken appropriate measures to govern the Group in carrying out the Non-exempted Continuing Connected Transactions thereby safeguarding the interests of the Shareholders thereunder.

Recommendation

Having considered the above principal factors, we are of the opinion that the terms of the Master Loan Agreement and transactions contemplated thereunder are on normal commercial terms, in the ordinary course of business of the Group and fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Shareholders, and we advise the Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM for approving the Master Loan Agreement and transactions contemplated thereunder.

POSSIBLE CONNECTED TRANSACTION – POSSIBLE SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON

The Company and the Placing Agent entered into the Placing Agreement on 30 November 2014 to issue not more than 3,076,923,076 new Shares at the Issue Price in the range of HK$0.65 per Share to HK$0.85 per Share. In relation to the proceeds from the placing of the Placement Shares, subject to the amount of Additional Shares to be issued to Founder Information, part of the cash proceeds would be used to partially satisfy the Consideration and the remaining will be used by the Company to replenish its working capital for, among others, future project development, land acquisition and general corporate use. Upon completion of the Placing, there will be a dilution impact on the shareholding of Founder Information. In case Founder Information may wish to subscribe for the Additional Shares to maintain its controlling stake over the Company, Found Information will pay for such additional Shares in cash and the cash proceeds from such subscription will be used by the Company to partially or fully satisfy the consideration for the Onshore Acquisition, subject to the requirement of maintaining a public float of 25% under the Listing Rules. The Additional Subscription would constitute a possible connected transaction under the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Additional Subscription, we have considered the following principal factors and reasons:

1. Background of and reasons for the Additional Subscription and use of proceeds

As set out in the Letter from the Board, payment of the Consideration will be made through a combination of the Company's internal cash, the issuance of Consideration Shares to Founder Information and all or part of the cash proceeds from the issuance of Placement

Shares and/or all or part of the cash proceeds from the issuance of Additional Shares. While the issuance of Placement Shares is expected to be offered to Independent Third Parties, there is a possibility that the controlling shareholders of the Company and/or their associate(s) may decide to participate in such issuance.

Upon completion of the Placing, there will be a dilution impact on the shareholding of Founder Information. In case Founder Information may wish to subscribe more Shares to maintain its controlling stake over the Company, Founder Information will pay for such additional Shares in cash and the cash proceeds from such subscription will be used by the Company to partially or fully satisfy the consideration for the Onshore Acquisition of approximately HK$573 million, subject to the requirement of maintaining a public float of 25% under the Listing Rules.

As advised by the Company, the issuance of the Additional Shares to Founder Information may allow the Company to secure financing for the partial settlement of the Consideration in a shorter period of time as compared to rights issue or open offer and may incur relatively lower financing costs as compared to obtaining external borrowings.

Having considered that the Acquisition and the issuance of Consideration Shares and Placement Shares will be inter-conditional upon each other, the Acquisition may be unable to complete if the Company does not have sufficient internal cash to settle the Consideration or if the Company could not obtain sufficient cash proceeds from the Placing. Independent Shareholders should note that the Additional Subscription forms part of the Acquisition and if such connected transaction is not approved by the Independent Shareholders, the S&P Agreement may not proceed and the Company may lose an opportunity to acquire the Acquired Projects which can enable the Group to rapidly expand its property portfolio in one step and tap into the PRC property market in a fast manner. Notwithstanding the above, the Independent Shareholders should note that the Additional Subscription would enlarge and strengthen the capital base of the Company as well as enhance the net asset position of the Group. In addition, the Additional Subscription serves as an acceptable mean to furnish the Group with additional funding. Moreover, the financial support from Founder Information in terms of the Share Subscription may provide some level of comfort to the potential investors on the future prospect of the Group.

Taking into account the above, we are of the view that there is a justified commercial rationale under the Additional Subscription and it is in the interests of the Company and Shareholders as a whole.

2. Terms of the Additional Subscription

Pursuant to the Placing Agreement, the Issue Price is currently expected to be not less than HK$0.65 per Placement Share and not more than HK$0.85 per Placement Share. The final Issue Price will be arrived at through a book building process and after arm's length negotiations between the Company and the Placing Agent.

Share price performance

Pursuant to the Placing Agreement, the Issue Price of not less than HK$0.65 per Placement Share and not more than HK$0.85 per Placement Share was determined after arm's length negotiations between the Company and the Subscriber. The gross proceeds from the Additional Subscription shall be payable in cash by the Subscriber upon completion of the Additional Subscription (the "Subscription Completion").

We note that the minimum Subscription Price of HK$0.65 per Additional Consideration Share represents:

(i) a discount of approximately 40.4% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on 3 September 2014, being the Last Trading Day;

(ii) a discount of approximately 40.9% to the average closing price of approximately HK$1.10 per Share for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 39.8% to the average closing price of approximately HK$1.08 per Share for the last 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.6% to the average closing price of approximately HK$0.95 per Share for the last 30 trading days up to and including the Last Trading Day;

(v) a discount of approximately 19.8% to the average closing price of approximately HK$0.81 per Share for the last 90 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 20.7% to the closing price of approximately HK$0.82 per Share on the Latest Practicable Date; and

(vii) a premium of approximately 1.7% over the net assets value per Share of HK$0.639 as at 31 December 2013 based on the latest published audited financial information of the Group as shown in the Company's 2013 annual report and the total number of issued Shares as at the Latest Practical Date.

For the purpose of assessing of the fairness and reasonableness of the Issue Price, we have performed an analysis on the historical share price performance and price-to-book ratio of the Company. Please refer to the section headed "Terms of the Acquisition – Mode of settlement of the Consideration" on page 77 of this Circular for the details of our analysis.

Comparison of the issue price of the Additional Shares

To further assess the fairness and reasonableness of the issue price of the Additional Shares, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced subscription or placement of new shares from 1 January 2014 up to and including the Latest Practicable Date with a total issue size of at least HK$500 million. The purpose of the comparables analysis is to compare the issue price of the Additional Shares with those of the comparable companies in the recent stock market environment. Based on the above, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 16 subscription or placement of new shares (the "Subscription Comparables"), as set out in the table below. We consider such selection criteria to be reasonable and meaningful for identifying the Subscription Comparables for comparison purpose.

Date of announcement	Stock code	Company	Transaction type	Subscription/ placing/ conversion price *(HK$)*	Premium/ (discount) over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/to the closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/to the closing price of the shares for the last 10 consecutive trading days	Premium/ (discount) over/to the net asset value per share *(Note 1)*
22/1/2014	956	China Suntien Green Energy Corporation Limited	Placing of H shares	3.35	-6.2%	-7.2%	-4.8%	23.7%
23/1/2014	241	Citic 21CN Company Limited	Issue of subscription shares	0.30	-63.9%	-61.8%	-61.2%	304.5%
12/2/2014	2319	China Mengniu Dairy Company Limited	Subscription for new shares	42.50	15.3%	17.6%	18.9%	322.7%
28/2/2014	451	Same Time Holdings Limited	Subscription for new shares	4.00	-70.4%	-68.1%	-65.4%	-21.0%
11/3/2014	1060	China Vision Media Group Limited	Subscription of new shares	0.50	-21.9%	-8.8%	9.4%	159.3%
25/3/2014	1868	Neo-Neon Holdings Limited	Issue of subscription shares	0.90	-50.0%	-50.0%	-50.5%	-42.1%
31/3/2014	1833	Intime Retail (Group) Company Limited	Subscription of new shares	7.5335	-13.7%	-15.4%	-14.3%	32.0%
14/5/2014	267	CITIC Pacific Limited	Share subscription	13.48	-1.8%	-0.6%	-0.8%	-54.6%

Date of announcement	Stock code	Company	Transaction type	Subscription/ placing/ conversion price *(HK$)*	Premium/ (discount) over/to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/to the closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/to the closing price of the shares for the last 10 consecutive trading days	Premium/ (discount) over/to the net asset value per share *(Note 1)*
27/5/2014	1165	Shunfeng Photovoltaic International Limited	Placing of new shares	10.00	-8.9%	-6.3%	-9.4%	840.2%
2/6/2014	2389	Genvon Group Limited	Placing of new shares	0.25	-43.2%	-41.3%	-42.9%	51.5%
11/6/2014	295	Kong Sun Holdings Limited	Subscription of new shares	0.36	-59.6%	-59.2%	-58.9%	119.2%
14/8/2014	1236	National Agricultural Holdings Limited	Placing of new shares	3.04 *(Note 2)*	4.8%	4.1%	5.4%	254.7%
25/8/2014	307	Up Energy Development Group Limited	Placing of new shares	1.00	-8.3%	-8.6%	-4.3%	-67.4%
4/9/2014	721	China Financial International Investments Limited	Subscription of new shares	0.20	-66.7%	-65.4%	-63.9%	5.3%
17/9/2014	85	China Electronics Corporation Holdings Company Limited	Placing of new shares	1.63	-15.1%	-16.8%	-14.2%	5.3%
18/9/2014	967	Sound Global Limited	Subscription of new shares	8.1	-9.19%	-7.32%	-3.34%	139.8%
		Mean			-20.9%	-19.3%	-17.2%	137.3%
		Median			-15.1%	-15.4%	-12.7%	51.5%
		Max			34.0%	36.0%	44.4%	840.2%
		Min			-70.4%	-68.1%	-65.4%	-85.5%
		The Additional Subscription		0.65	-40.4%	-40.9%	-39.8%	1.7%
				0.85	-22.0%	-22.7%	-21.3%	41.7%

Source: Website of the Stock Exchange

Notes:

1. The net asset value of the Market Comparables are extracted from their annual reports of the latest financial year, where figures in RMB are translated at an exchange rate of RMB1 = HK$1.2719. The net asset value of Market Comparables that recorded a net liability position is shown as not applicable ("N/A").

2. The placing price of HK$3.04 is the average of the high-end and the low-end of the placing price range.

The Subscription Comparables show on average (i) a discount of approximately 20.9% to the closing price of the last trading day prior to the date of the corresponding announcement; (ii) a discount of approximately 19.3% to the closing prices of the last five consecutive trading days prior to the date of the corresponding announcement; (iii) a discount of approximately 17.2% to the closing prices of the last ten consecutive trading days prior to the date of the corresponding announcement; and (iv) a premium of 137.3% to the net asset value per share of the comparable companies.

Upon comparison, we note that the Issue Price of HK$0.65 per Share represents a discount of approximately 40.4%, 40.9% and 39.8% to the closing prices of the Last Trading Day, the five consecutive trading days and ten consecutive trading days ended on the Last Trading Day respectively, which are deeper than the means of the Subscription Comparables being approximately 20.9%, 19.3% and 17.2% respectively, but still fall within the ranges of the discounts/premiums of the Subscription Comparables. Furthermore, we note that the Issue Price of HK$0.85 per Share represents a discount of approximately 22.0%, 22.7% and 21.3% to the closing prices of the Last Trading Day, the five consecutive trading days and ten consecutive trading days ended on the Last Trading Day respectively, which are lower than the means of the Subscription Comparables being approximately 20.9%, 19.3% and 17.2% respectively and fall within the ranges of the discounts/premiums of the Subscription Comparables. Although the Issue Price of HK$0.65 per Share represents a deeper discount than the means of the Subscription Comparables, we note that the Issue Price of the Additional Subscription in the range of HK$0.65 per Share to HK$0.85 per Share is the same as that of the Placement of Shares to Independent Third Parties. Based on the above, we are of the view that the Issue Price of the Consideration Shares is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We further note that one-third of all the Subscription Comparables showed a discount of over 30% to the closing price of the last trading day.

Based on the above, and taking into account the size of the Placing of not more than 3,076,923,076 Shares, we are of the view that it is understandable for the Company to increase the attractiveness by offering investors a deeper discount to the historical Share price and thus we consider that the Issue Price are fair and reasonable.

3. Financial effects of the Additional Subscription on the Group

- ***Cashflow***

According to the 2014 Interim Report, the Group had cash and cash equivalents of approximately HK$497 million as at 30 June 2014. Upon Subscription Completion, the liquidity and cash position of the Group will be improved as the Additional Subscription will facilitate the Company to raise gross proceeds of not more than approximately HK$573 million. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon Subscription Completion.

- ***Earnings***

Save for the expenses relating to the Additional Subscription, the Subscription Completion will not have any immediate material impact on the earnings of the Company. Hence, immediately upon Subscription Completion, there will be no effect on the earnings of the Company.

- ***Net Asset Value***

According to the 2014 Interim Report for the period ended 30 June 2014, the unaudited consolidated net assets attributable to owners of the parent was approximately HK$1,091 million. Upon Subscription Completion, the net asset value of the Company will be improved as the Additional Subscription would increase the share capital of the Company. Accordingly, the Additional Subscription will have a positive impact on the net asset value of the Group.

- ***Gearing***

According to the 2014 Interim Report, the Group's gearing ratio on the basis of interest-bearing borrowings divided by total equity attributable to owners of the parent was approximately 2.66 as at 30 June 2014. Upon Subscription Completion and assuming the interest-bearing liabilities of the Group would remain the same, the total equity attributable to owners of the parent of the Group would be increased as a result of the Additional Subscription. Thus, the gearing level of the Group will be improved upon Subscription Completion.

Based on the above, the Additional Subscription would have an overall positive effect on the financial position of the Group in terms of cashflow, net asset value, and gearing upon Completion. Meanwhile, the Additional Subscription will not have any material impact on earnings of the Group. On such basis, we are of the view that the Additional Subscription is in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholdings changes of the Company under the section headed "Effect on shareholding structure" as contained in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 36.1%. Under the Additional Subscription, the total amount of the subscription from Founder Information would be not more than approximately HK$573 million. Assuming the Issue Price is HK$0.65 per Share, 881,538,461 new Shares, representing approximately 36.8% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 26.9% of the issued share capital of the Company as enlarged by the issuance of the Additional Shares, will be issued to the Subscriber. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 36.1% to approximately 26.3% upon Completion.

Assuming the Issue Price is HK$0.85 per Share, 674,117,647 new Shares, representing approximately 28.1% of the existing issued share capital of the Company as at the Latest Practicable Date and 21.9% of the issued share capital of the Company as enlarged by the issue of the Additional Consideration Share, will be issued to the Subscriber. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 36.1% to approximately 28.1% upon Completion.

Having considered the reasons stated in details in the section headed "Background of and reasons for the Additional Subscription and use of proceeds" above, in particular, the following:

(a) the Acquisition and the issuance of the Consideration Shares and Placement Shares will be inter-conditional upon each other and the Acquisition may be unable to complete if the Company does not have sufficient internal cash to settle the Consideration or if the Company could not obtain sufficient cash proceeds from the Placing, thus the Company has a need to secure alternative financing means to satisfy the consideration of the Onshore Acquisition and facilitate the completion of the Acquisition;

(b) the issuance of the Additional Shares will enlarge and strengthen the capital base of the Company as well as enhance the net asset position of the Group; and

(c) the management of the Company considers that the Additional Subscription serves as an acceptable mean to furnish the Group with additional funding;

we are of the opinion that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

Recommendation

After taking into account the above principal factors and reasons, we consider that the Additional Subscription was entered into on normal commercial terms and the terms of the Additional Subscription are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the resolution to approve the Additional Subscription.

CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF PLACEMENT SHARES BY A CONNECTED PERSON

The Company and the Placing Agent entered into the Placing Agreement on 30 November 2014 to issue not more than 3,076,923,076 new Shares at the Issue Price in the range of HK$0.65 per Share to HK$0.85 per Share. In relation to the proceeds from the placing of the Placement Shares, subject to the amount of Additional Shares to be issued to Founder Information, part of the cash proceeds would be used to partially satisfy the Consideration and the remaining will be used by the Company to replenish its working capital for, among others, future project development, land acquisition and general corporate use. To show his confidence in the Company, Mr. Zheng, an executive director of the Company, will participate in the placing of the Placement Shares (the “Connected Placing”) at the Issue Price with the amount of not more than RMB300,000,000 (equivalent to HK$377,700,000) by way of a guaranteed allocation pursuant to the terms and conditions of the issuance.

Since Mr. Zheng is a connected person of the Company under the Listing Rules, the Connected Placing will constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules is subject to approval by the Independent Shareholders at the SGM. Those who are involved in or materially interested in the Connected Placing will abstain from voting at the SGM in respect of the resolution regarding the Connected Placing.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Connected Placing, we have considered the following principal factors and reasons:

1. Background of and reasons for the Connected Placing and use of proceeds

As set out in the Letter from the Board, payment of the Consideration will be made through a combination of the Company’s internal cash, the issuance of Consideration Shares to Founder Information and all or part of the cash proceeds from the issuance of Placement Shares and/or all or part of the cash proceeds from the issuance of Addition Shares. Pursuant to the Placing Agreement, the Placing Agent has agreed, subject to the terms and conditions of the Placing Agreement, to act as agent for the Company to use its best efforts to procure by itself or through its affiliate(s) or sub-placing agent(s) purchasers to purchase the Placement Shares at the Issue Price. The minimum public float of 25% will be maintained upon Completion. Pursuant to the Placing Agreement, the Placing Agent has informed the Company that it intends to place the Placement Shares with the amount of not more than HK$2 billion to independent placee(s) (who will be institutional and professional investor(s)).

As set out in the Letter from the Board, to show his confidence in the Company, Mr. Zheng, an executive director of the Company, will participate in the placing of the Placement Shares at the Issue Price with the amount of not more than RMB300,000,000 (equivalent to HK$377,700,000) by way of a guaranteed allocation pursuant to the terms and conditions of the issuance.

Having considered that the Acquisition and the issuance of Consideration Shares and Placement Shares will be inter-conditional upon each other, the Acquisition may be unable to complete if the Company does not have sufficient resources to settle the Consideration or if the Company could not obtain sufficient cash proceeds from the Placing. Independent Shareholders should note that the Connected Placing would assist to finance the Acquisition and if such connected transaction is not approved by the Independent Shareholders, the Company will obtain funding by other means, including internal cash, external financing and/or financing from controlling shareholder, to finance the consideration of the Onshore Acquisition. Notwithstanding the above, the Independent Shareholders should note that the

Connected Placing would enlarge and strengthen the capital base of the Company as well as enhance the net asset position of the Group. In addition, the Connected Placing serves as an acceptable mean to furnish the Group with additional funding. Moreover, the financial support from Mr. Zheng in terms of the Connected Placing may provide some level of comfort to the potential investors on the future prospect of the Group.

Taking into account the above, we are of the view that there is a justified commercial rationale under the Connected Placing and it is in the interests of the Company and Shareholders as a whole and we consider the intended use of proceeds is beneficial to the Company and in the interests of the Company.

2. Terms of the Connected Transaction

Pursuant to the Placing Agreement, the Issue Price is currently expected to be not less than HK$0.65 per Placement Share and not more than HK$0.85 per Placement Share. The final Issue Price will be arrived at through a book building process and after arm's length negotiations between the Company and the Placing Agent.

Share price performance

Pursuant to the Placing Agreement, the Issue Price of not less than HK$0.65 per Placement Share and not more than HK$0.85 per Placement Share was determined after arm's length negotiations between the Company and the Subscriber. The gross proceeds from the Connected Placing shall be payable in cash by Mr. Zheng upon completion of the Placing (the "Placing Completion").

We note that the minimum Issue Price of HK$0.65 per Placement Share represents:

(i) a discount of approximately 40.4% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on 3 September 2014, being the Last Trading Day;

(ii) a discount of approximately 40.9% to the average closing price of approximately HK$1.10 per Share for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 39.8% to the average closing price of approximately HK$1.08 per Share for the last 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.6% to the average closing price of approximately HK$0.95 per Share for the last 30 trading days up to and including the Last Trading Day;

(v) a discount of approximately 19.8% to the average closing price of approximately HK$0.81 per Share for the last 90 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 20.7% to the closing price of approximately HK$0.82 per Share on the Latest Practicable Date; and

(vii) a premium of approximately 1.7% over the net assets value per Share of HK$0.639 as at 31 December 2013 based on the latest published audited financial information of the Group as shown in the Company's 2013 annual report and the total number of issued Shares as at the Latest Practical Date.

For the purpose of assessing of the fairness and reasonableness of the Issue Price, we have performed an analysis on the historical share price performance and price-to-book ratio of the Company. Please refer to the section headed "Terms of the Acquisition – Mode of settlement of the Consideration" on page 77 of this Circular for the details of our analysis.

Comparison of the issue price of the Placement Shares

To further assess the fairness and reasonableness of the issue price of the Placement Shares, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced subscription or placement of new shares from 1 January 2014 up to and including the Latest Practicable Date with a total issue size of at least HK$500 million. The purpose of the comparables analysis is to compare the issue price of the Additional Shares with those of the comparable companies in the recent stock market environment. Based on the above, we have, to the best of our effort by searching through published information on the Stock Exchange's website, identified an exhaustive list of 16 subscription or placement of new shares (the "**Subscription Comparables**"), as set out in the table below. We consider such selection criteria to be reasonable and meaningful for identifying the Subscription Comparables for comparison purpose.

Date of announcement	Stock code	Company	Transaction type	Subscription/ placing/ conversion price *(HK$)*	Premium/ (discount) over/ to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/ to the closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/ to the closing price of the shares for the last 10 consecutive trading days	Premium/ (discount) over/ to the net asset value per share *(Note 1)*
22/1/2014	956	China Suntien Green Energy Corporation Limited	Placing of H shares	3.35	-6.2%	-7.2%	-4.8%	23.7%
23/1/2014	241	Citic 21CN Company Limited	Issue of subscription shares	0.30	-63.9%	-61.8%	-61.2%	304.5%
12/2/2014	2319	China Mengniu Dairy Company Limited	Subscription for new shares	42.50	15.3%	17.6%	18.9%	322.7%
28/2/2014	451	Same Time Holdings Limited	Subscription for new shares	4.00	-70.4%	-68.1%	-65.4%	-21.0%

Date of announcement	Stock code	Company	Transaction type	Subscription/ placing/ conversion price	Premium/ (discount) over/ to the closing price of the shares as at the last trading day prior to the date of the corresponding announcement	Premium/ (discount) over/ to the closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/ to the closing price of the shares for the last 10 consecutive trading days	Premium/ (discount) over/ to the net asset value per share
				(HK$)				*(Note 1)*
11/3/2014	1060	China Vision Media Group Limited	Subscription of new shares	0.50	-21.9%	-8.8%	9.4%	159.3%
25/3/2014	1868	Neo-Neon Holdings Limited	Issue of subscription shares	0.90	-50.0%	-50.0%	-50.5%	-42.1%
31/3/2014	1833	Intime Retail (Group) Company Limited	Subscription of new shares	7.5335	-13.7%	-15.4%	-14.3%	32.0%
14/5/2014	267	CITIC Pacific Limited	Share subscription	13.48	-1.8%	-0.6%	-0.8%	-54.6%
27/5/2014	1165	Shunfeng Photovoltaic International Limited	Placing of new shares	10.00	-8.9%	-6.3%	-9.4%	840.2%
2/6/2014	2389	Genvon Group Limited	Placing of new shares	0.25	-43.2%	-41.3%	-42.9%	51.5%
11/6/2014	295	Kong Sun Holdings Limited	Subscription of new shares	0.36	-59.6%	-59.2%	-58.9%	119.2%
14/8/2014	1236	National Agricultural Holdings Limited	Placing of new shares	3.04 *(Note 2)*	4.8%	4.1%	5.4%	254.7%
25/8/2014	307	Up Energy Development Group Limited	Placing of new shares	1.00	-8.3%	-8.6%	-4.3%	-67.4%
4/9/2014	721	China Financial International Investments Limited	Subscription of new shares	0.20	-66.7%	-65.4%	-63.9%	5.3%
17/9/2014	85	China Electronics Corporation Holdings Company Limited	Placing of new shares	1.63	-15.1%	-16.8%	-14.2%	5.3%
18/9/2014	967	Sound Global Limited	Subscription of new shares	8.1	-9.19%	-7.32%	-3.34%	139.8%
		Mean			-20.9%	-19.3%	-17.2%	137.3%
		Median			-15.1%	-15.4%	-12.7%	51.5%
		Max			34.0%	36.0%	44.4%	840.2%
		Min			-70.4%	-68.1%	-65.4%	-85.5%
		The Additional Subscription		0.65	-40.4%	-40.9%	-39.8%	1.7%
				0.85	-22.0%	-22.7%	-21.3%	41.7%

Source: Website of the Stock Exchange

Notes:

1. The net asset value of the Market Comparables are extracted from their annual reports of the latest financial year, where figures in RMB are translated at an exchange rate of RMB1 = HK$1.2719. The net asset value of Market Comparables that recorded a net liability position is shown as not applicable ("N/A").

2. The placing price of HK$3.04 is the average of the high-end and the low-end of the placing price range.

The Subscription Comparables show on average (i) a discount of approximately 20.9% to the closing price of the last trading day prior to the date of the corresponding announcement; (ii) a discount of approximately 19.3% to the closing prices of the last five consecutive trading days prior to the date of the corresponding announcement; (iii) a discount of approximately 17.2% to the closing prices of the last ten consecutive trading days prior to the date of the corresponding announcement; and (iv) a premium of 137.3% to the net asset value per share of the comparable companies.

Upon comparison, we note that the Issue Price of HK$0.65 per Share represents a discount of approximately 40.4%, 40.9% and 39.8% to the closing prices of the Last Trading Day, the five consecutive trading days and ten consecutive trading days ended on the Last Trading Day respectively, which are deeper than the means of the Subscription Comparables being approximately 20.9%, 19.3% and 17.2% respectively, but still fall within the ranges of the discounts/premiums of the Subscription Comparables. Furthermore, we note that the Issue Price of HK$0.85 per Share represent a discount of approximately 17.4%, 18.1% and 16.7% to the closing prices of the Last Trading Day, the five consecutive trading days and ten consecutive trading days ended on the Last Trading Day respectively, which are lower than the means of the Subscription Comparables being approximately 22.0%, 22.7% and 21.3% respectively and fall within the ranges of the discounts/premiums of the Subscription Comparables. Although the Issue Price of HK$0.65 per Share represents a deeper discount than the means of the Subscription Comparables, we note that the Issue Price in the range of HK$0.65 per Share to HK$0.85 per Share is the same as that of the Placement of Shares to Independent Third Parties. Based on the above, we are of the view that the Issue Price of the Connected Placing is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We further note that one-third of all the Subscription Comparables asked for a discount of over 30% to the closing price of the last trading day.

Based on the above, and taking into account the size of the Placing of not more than 3,076,923,076 Shares, we are of the view that it is understandable for the Company to increase the attractiveness by offering investors a deeper discount to the historical Share price and thus we consider that the Issue Price is fair and reasonable.

3. Financial effects of the Connected Placing on the Group

- **Cashflow**

According to the 2014 Interim Report, the Group had cash and cash equivalents of approximately HK$497 million as at 30 June 2014. Upon completion of the Connected Placing alone, the liquidity and cash position of the Group will be improved as the Connected Placing will facilitate the Company to raise gross proceeds of not more than approximately HK$377.7 million. Accordingly, the cash position, net current assets and current ratio of the Company are expected to be improved upon completion of the Connected Placing.

- **Earnings**

  Save for the expenses relating to the Placing (where the Connected Placing forms part), the completion of the Connected Placing will not have any further immediate material impact on the earnings of the Company. Hence, immediately upon completion of the Connected Placing, there will be no effect on the earnings of the Company.

- **Net Asset Value**

  According to the 2014 Interim Report for the period ended 30 June 2014, the unaudited consolidated net assets attributable to owners of the parent was approximately HK$1,091 million. Upon completion of the Connected Placing, the net asset value of the Company will be improved as issue of the relevant Placement Shares under the Connected Placing would increase the share capital of the Company. Accordingly, the Connected Placing will have a positive impact on the net asset value of the Group.

- **Gearing**

  According to the 2014 Interim Report, the Group's gearing ratio on the basis of interest-bearing borrowings divided by total equity attributable to owners of the parent was approximately 2.66 as at 30 June 2014. Upon completion of the Connected Placing and assuming the interest-bearing liabilities of the Group would remain the same, the total equity attributable to owners of the parent of the Group would be increased as a result of the completion of the Connected Placing. Thus, the gearing level of the Group will be improved upon completion of the Connected Placing.

Based on the above, the Connected Placing would have an overall positive effect on the financial position of the Group in terms of cashflow, net asset value, and gearing upon Completion. Meanwhile, the completion of the Connected Placing will not have any material impact on earnings of the Group. On such basis, we are of the view that the Connected Placing is in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the shareholding of the Company

As set out in the table showing the shareholdings changes of the Company under the section headed "Effect on shareholding structure" as contained in the Letter from the Board, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 36.1%. Under the Connected Placing, the total amount of the subscription from Mr. Zheng would be not more than RMB300 million (equivalent to approximately HK$377.7 million). Assuming the Issue Price is HK$0.65 per Share, 581,063,151 new Shares, representing approximately 24.2% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 19.5% of the issued share capital of the Company as enlarged by the issue of the relevant Placement Shares will be issued to Mr. Zheng. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 36.1% to approximately 29.1% upon completion of the Connected Placing.

Assuming the Issue Price is HK$0.85 per Share, 444,342,410 new Shares, representing approximately 18.5% of the existing issued share capital of the Company as at the Latest Practicable Date and 15.6% of the issued share capital of the Company as enlarged by the issue of the relevant Placement Shares, will be issued to Mr. Zheng. On such basis, the shareholdings of the existing public Shareholders will be diluted from approximately 36.1% to approximately 30.5% upon completion of the Connected Placing.

Having considered the reasons stated in details in the section headed "Background of and reasons for the Connected Placing and use of proceeds" above, in particular, the following:

(a) the Acquisition and the issuance of the Consideration Shares and Placement Shares will be inter-conditional upon each other and the Acquisition may be unable to complete if the Company does not have sufficient internal cash to settle the Consideration or if the Company could not obtain sufficient cash proceeds from the Placing, thus the Company has a need to secure alternative financing means to satisfy the consideration of the Onshore Acquisition and facilitate the completion of the Acquisition;

(b) the issue of the relevant Placement Shares will enlarge and strengthen the capital base of the Company as well as enhance the net asset position of the Group; and

(c) the management of the Company considers that the Connected Placing serves as an acceptable mean to furnish the Group with additional funding;

we are of the opinion that the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

Recommendation

After taking into account the above principal factors and reasons, we consider that the Connected Placing was entered into on normal commercial terms and the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the resolution to approve the Connected Placing.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 10 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

Set out below is a summary of the audited consolidated income statement and statement of financial position of the Group for the years ended 31 December 2011, 2012 and 2013 as extracted from the annual reports of the Group for the respective years and unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 as extracted from the 2014 interim reports of the Group.

1. FINANCIAL INFORMATION OF THE GROUP

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 is disclosed in the 2014 interim report of the Company published on 16 September 2014, from pages 3 to 26, and the audited consolidated financial statements of the Group (i) for the year ended 31 December 2013 is disclosed in the 2013 annual report of the Group published on 25 April 2014, from pages 47 to 142; (ii) for the year ended 31 December 2012 is disclosed in the 2012 annual report of the Group published on 24 April 2013, from pages 29 to 95; and (iii) for the year ended 31 December 2011 is disclosed in the 2011 annual report of the Group published on 27 April 2012, from pages 25 to 93, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.pku-resources.com).

2. INDEBTEDNESS STATEMENT

At the close of business on 31 October 2014, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding interest-bearing bank and other borrowings of approximately HK$21,399.8 million which comprised unsecured bank loans and other borrowings of approximately HK$17,179.9 million and secured bank loans and other borrowings of approximately HK$4,219.9 million. The above unsecured loans included bank loans and other borrowings of approximately HK$1,425.5 million guaranteed by Peking Founder, a substantial shareholder of the Company, approximately HK$1,014.4 million guaranteed by PKU Resources Group, a substantial shareholder of the Company and approximately HK$630.8 million jointly guaranteed by Peking Founder and PKU Resources Group; unsecured other loans of approximately HK$10,489.9 million were borrowed from PKU Resources Group directly or through third parties, approximately HK$3,281.4 million borrowed from PKU Property, a fellow subsidiary of the Company and approximately HK$304.3 million borrowed from the non-controlling shareholder of a subsidiary of the Enlarged Group. The secured bank loans and other borrowings of approximately HK$3,430.0 million were secured by certain of the Enlarged Group's properties under development and properties held for sale, approximately HK$202.9 million were secured by certain of the Enlarged Group's properties under development, properties held for sale and restricted bank balances, approximately HK$44.1 million were secured by pledge of certain of the Enlarged Group's bills receivable and approximately HK$542.9 million were secured by time deposits of Founder Information, a substantial shareholder of the Company.

As at the close of business on 31 October 2014, the Enlarged Group provided a guarantee of approximately HK$1,719.2 million in respect of mortgage facilities for certain purchasers of the Enlarged Group's properties sold to these purchasers.

Save as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 31 October 2014, any debt securities issued and outstanding or agreed to be issued, bank borrowings or other similar indebtedness, mortgages and charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account the Enlarged Group's internal resources, available facilities from bank and financial institutions as well as related companies, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements for the period of twelve months from the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the coming financial year, the Group will continue to be engaged in property development and property investment in the PRC and the distribution of information products in Hong Kong and the PRC.

For the property development and property investment in the PRC, the management team has been exploring business opportunities to expand the Group's operation and enhance its earnings. The management team is actively looking for suitable investments opportunities from time to time to diversify its existing business portfolio and to broaden its source of income.

As to the distribution of information products, the management will continuously refine its product structure to avoid product overlapping and minimise market risk. The Group will focus on the distribution of information products with better trading terms and exploring the more profitable value-added service business. Moreover, the management will also place stronger emphasis on operating cash flow, stringent control on working capital such as trade receivables and payables and inventory and cost management. The Group will continue to look for alliance with other international information products suppliers and investment opportunities.

6. POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon the completion of the Acquisition, Extrol, Keen Delight, Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources will become wholly-owned subsidiaries of the Group and its financial statements will be consolidated to those of the Group.

As set out in Appendix III to this circular, assuming the Acquisition has been completed on 30 June 2014, the consolidated total assets of the Group would be increased from approximately HK$6,760.6 million to HK$36,232.7 million. The consolidated total liabilities of the Group would be increased from approximately HK$5,326.0 million to approximately HK$32,090.5 million.

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of Keen Delight Global Limited ("Keen Delight") and its subsidiaries (hereinafter collectively referred to as "Keen Delight Group") which comprise the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of Keen Delight Group for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Keen Delight Group as at 31 December 2011, 2012 and 2013 and 30 September 2014 and the statements of financial position of Keen Delight as at 31 December 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of Keen Delight Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in Keen Delight, 重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*), 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*), 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*) and Extol High Enterprises Limited.

Keen Delight was incorporated in the British Virgin Islands (the "BVI") on 23 May 2013. As at the end of the Relevant Periods, Keen Delight has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies comprising Keen Delight Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Keen Delight Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Keen Delight (the "Directors") have prepared the consolidated financial statements of Keen Delight Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of

Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Keen Delight Group and Keen Delight as at 31 December 2011, 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Keen Delight Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Other income and gains	*5*	–	–	72	11	1,845
Selling and marketing expenses		–	–	(16,850)	(409)	(59,489)
Administrative expenses		(11)	(5)	(11,618)	(645)	(35,569)
Finance costs	*7*	–	–	(47,952)	(2,707)	(18,162)
LOSS BEFORE TAX	*6*	(11)	(5)	(76,348)	(3,750)	(111,375)
Income tax expense	*9*	–	–	–	–	–
LOSS FOR THE YEAR/ PERIOD		(11)	(5)	(76,348)	(3,750)	(111,375)
Attributable to:						
Owners of the parent		(11)	(5)	(40,577)	(1,958)	(59,948)
Non-controlling interests		–	–	(35,771)	(1,792)	(51,427)
		(11)	(5)	(76,348)	(3,750)	(111,375)

(b) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
LOSS FOR THE YEAR/PERIOD	(11)	(5)	(76,348)	(3,750)	(111,375)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	–	–	(444)	227	(69)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	–	–	(444)	227	(69)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	–	–	(444)	227	(69)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(11)	(5)	(76,792)	(3,523)	(111,444)
Attributable to:					
Owners of the parent	(11)	(5)	(40,805)	(1,831)	(59,965)
Non-controlling interests	–	–	(35,987)	(1,692)	(51,479)
	(11)	(5)	(76,792)	(3,523)	(111,444)

(c) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	As at 31 December 2013 HK$'000	As at 30 September 2014 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	–	–	5,510	11,192
Intangible assets	12	–	–	30	126
Total non-current assets		–	–	5,540	11,318
CURRENT ASSETS					
Properties under development	14	–	–	5,645,721	7,887,105
Prepayments, deposits and other receivables	15	–	–	1,169,440	616,854
Due from related companies	16	–	–	–	54,851
Tax recoverable		–	–	831	19,812
Restricted cash	17	–	–	40,698	258,304
Cash and bank balances	17	10	10	116,439	220,863
Total current assets		10	10	6,973,129	9,057,789
CURRENT LIABILITIES					
Trade payables	18	–	–	1,210,741	855,326
Other payables and accruals	19	–	–	67,682	730,809
Due to related companies	16	21	26	197,276	539,357
Interest-bearing bank and other borrowings	20	–	–	801,800	6,096,991
Tax payable		–	–	831	8,957
Total current liabilities		21	26	2,278,330	8,231,440
NET CURRENT ASSETS/ (LIABILITIES)		(11)	(16)	4,694,799	826,349
TOTAL ASSETS LESS CURRENT LIABILITIES		(11)	(16)	4,700,339	837,667
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	20	–	–	4,722,736	713,595
Total non-current liabilities		–	–	4,722,736	713,595
Net assets/(liabilities)		(11)	(16)	(22,397)	124,072

		As at 31 December			As at 30 September
	Notes	**2011**	**2012**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY/(DEFICIENCY IN ASSETS)					
Equity attributable to owners of the parent					
Issued capital	*21*	–	–	–	–
Reserves	*22*	(11)	(16)	(40,831)	(65,363)
		(11)	(16)	(40,831)	(65,363)
Non-controlling interests		–	–	18,434	189,435
Total equity/(deficiency in assets)		(11)	(16)	(22,397)	124,072

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the parent						
		Issued capital	**Merger reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total deficiency in assets**
		HK$'000	*HK$'000* *(note 22)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011		–	10	–	(10)	–	–	–
Loss and total comprehensive loss for the year		–	–	–	(11)	(11)	–	(11)
At 31 December 2011 and 1 January 2012		–	10*	–*	(21)*	(11)	–	(11)
Loss and total comprehensive loss for the year		–	–	–	(5)	(5)	–	(5)
At 31 December 2012 and 1 January 2013		–	10*	–*	(26)*	(16)	–	(16)
Loss for the year		–	–	–	(40,577)	(40,577)	(35,771)	(76,348)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations		–	–	(228)	–	(228)	(216)	(444)
Total comprehensive loss for the year		–	–	(228)	(40,577)	(40,805)	(35,987)	(76,792)
Issue of share on incorporation	21	–	–	–	–	–	–	–
Acquisition of a subsidiary under common control		–	(10)	–	–	(10)	–	(10)
Contributions from non-controlling shareholders		–	–	–	–	–	54,421	54,421
At 31 December 2013 and 1 January 2014		–	–*	(228)*	(40,603)*	(40,831)	18,434	(22,397)

	Note	Attributable to owners of the parent							
		Issued capital	Capital reserve	Merger reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity/ (deficiency in assets)
		HK$'000	*HK$'000* *(note 22)*	*HK$'000* *(note 22)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013 and 1 January 2014		–	–*	–*	(228)*	(40,603)*	(40,831)	18,434	(22,397)
Loss for the period		–	–	–	–	(59,948)	(59,948)	(51,427)	(111,375)
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations		–	–	–	(17)	–	(17)	(52)	(69)
Total comprehensive loss for the period		–	–	–	(17)	(59,948)	(59,965)	(51,479)	(111,444)
Capital contribution from shareholders		–	35,433	–	–	–	35,433	15,185	50,618
Contributions from non-controlling shareholders		–	–	–	–	–	–	207,295	207,295
At 30 September 2014		–	35,433*	–*	(245)*	(100,551)*	(65,363)	189,435	124,072
At 1 January 2013		–	–	10	–	(26)	(16)	–	(16)
Loss for the period (unaudited)		–	–	–	–	(1,958)	(1,958)	(1,792)	(3,750)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations (unaudited)		–	–	–	127	–	127	100	227
Total comprehensive loss for the period (unaudited)		–	–	–	127	(1,958)	(1,831)	(1,692)	(3,523)
Issue of share on incorporation (unaudited)	*21*	–	–	–	–	–	–	–	–
Acquisition of a subsidiary under common control (unaudited)		–	–	(10)	–	–	(10)	–	(10)
Contributions from non-controlling shareholders (unaudited)		–	–	–	–	–	–	39,772	39,772
At 30 September 2013		–	–	–	127	(1,984)	(1,857)	38,080	36,223

* These reserve accounts comprise the consolidated reserves (deficits) of HK$11,000, HK$16,000, HK$40,831,000 and HK$65,363,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively.

(e) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(11)	(5)	(76,348)	(3,750)	(111,375)
Adjustments for:						
Interest income	*5*	–	–	(72)	(11)	(1,207)
Finance costs	*7*	–	–	47,952	2,707	18,162
Depreciation	*6*	–	–	27	16	1,382
Amortisation of intangible assets	*6*	–	–	2	–	30
		(11)	(5)	(28,439)	(1,038)	(93,008)
Increase in properties under development		–	–	(5,501,953)	(2,111,147)	(1,786,128)
Decrease/(increase) in prepayments, deposits and other receivables		–	–	(1,169,440)	(830,822)	552,586
Decrease/(increase) in amounts due from related companies		–	–	–	66,614	(54,851)
Increase/(decrease) in trade payables		–	–	1,210,741	–	(355,415)
Increase in other payables and accruals		–	–	67,682	1,099,671	663,127
Increase in amounts due to related companies		11	5	197,250	–	342,081
Cash used in operations		–	–	(5,224,159)	(1,776,722)	(731,608)
Interest received		–	–	72	11	1,207
Interest paid		–	–	(191,720)	(66,233)	(473,418)
Land appreciation tax paid		–	–	–	–	(9,202)
PRC corporate income tax paid		–	–	–	–	(1,653)
Net cash flows used in operating activities		–	–	(5,415,807)	(1,842,944)	(1,214,674)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	*11*	–	–	(5,538)	(1,341)	(7,113)
Additions to intangible assets	*12*	–	–	(32)	–	(127)
Increase in restricted cash		–	–	(40,698)	–	(217,606)
Acquisition of a subsidiary under common control		–	–	(10)	(10)	–
Net cash flows used in investing activities		–	–	(46,278)	(1,351)	(224,846)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		–	–	546,000	–	543,090
New other loans		–	–	8,106,565	1,906,371	2,241,431
Repayment of bank loans		–	–	–	–	(5,431)
Repayment of other loans		–	–	(3,128,029)	–	(1,493,040)
Capital contribution from shareholders	22	–	–	–	–	50,618
Contribution from non-controlling shareholders of subsidiaries		–	–	54,421	39,772	207,295
Net cash flows from financing activities		–	–	5,578,957	1,946,143	1,543,963
NET INCREASE IN CASH AND CASH EQUIVALENTS		–	–	116,872	101,848	104,443
Cash and cash equivalents at beginning of year/period		10	10	10	10	116,439
Effect of foreign exchange rate change, net		–	–	(443)	227	(19)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	17	10	10	116,439	102,085	220,863
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	17	10	10	116,439	102,085	220,863

(f) STATEMENTS OF FINANCIAL POSITION

	Notes	**As at 31 December 2013** *HK$'000*	**As at 30 September 2014** *HK$'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	*13*	10	10
Total non-current assets		10	10
CURRENT ASSETS			
Due from a related company	*16*	–	26,589
Cash and bank balances	*17*	–	7
Total current assets		–	26,596
CURRENT LIABILITIES			
Due to a related company	*16*	21	26,632
Total current liabilities		21	26,632
NET CURRENT LIABILITIES		(21)	(36)
Net liabilities		(11)	(26)
DEFICIENCY IN ASSETS			
Issued capital	*21*	–	–
Accumulated losses		(11)	(26)
Total deficiency in assets		(11)	(26)

Note: At the time of incorporation, 1 ordinary share with par value of US$1 was issued by Keen Delight.

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

Keen Delight Global Limited ("Keen Delight") is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 23 May 2013. The registered address of Keen Delight is P.O, Box 957 Road, Town Tortola, the BVI.

The principal activity of Keen Delight and its subsidiaries (collectively referred to as "Keen Delight Group") is property development (the "Relevant Business") during the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "Relevant Periods") and the nine months ended 30 September 2013.

Keen Delight's immediate holding company is Fine Noble Global Limited ("Fine Noble"). In the opinion of the directors of Keen Delight, Keen Delight's ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the People's Republic of China (the "PRC").

Prior to the establishment of Keen Delight, the Relevant Business was carried out by Hong Kong Peking University Resource Property Holdings Limited*) ("Hong Kong PKU"), one of the subsidiaries now comprising Keen Delight Group, which was controlled by Founder Information (Hong Kong) Limited ("Founder Information").

In order to rationalise the current corporate structure of Keen Delight Group, the following principal reorganisation steps were undertaken to establish Keen Delight Group (the "Reorganisation"):

1) Hong Kong PKU was established as a limited liability company in Hong Kong on 6 October 2010. Founder Information directly held 100% equity interest in Hong Kong PKU.

2) 重慶方源盈潤置業有限公司 (Chongqing Fangyuan Yingrun Property Co., Limited*) ("Chongqing Fangyuan"), 成都立輝地產有限公司 (Chengdu Lihui Property Co., Limited*) ("Chengdu Lihui"), 長沙隆鑫房地產開發有限公司 (Changsha Longxin Property Development Co., Limited*) ("Changsha Longxin") and 佛山北大資源地產有限公司 (Foshan Peking University Resources Property Co., Limited*) ("Foshan Resources") were established in the PRC on 7 June 2013, 10 July 2013, 23 August 2013 and 19 November 2013, respectively. Hong Kong PKU owned 51% equity interest in Chongqing Fangyuan, 51% equity interest in Chengdu Lihui, 70% equity interest in Changsha Longxin and 51% equity interest in Foshan Resources.

3) Keen Delight was established as a limited liability company on 23 May 2013. Fine Noble, an indirect wholly owned subsidiary of Founder Information, held 100% equity interest in Keen Delight.

4) Superb Virtue Limited ("Superb Virtue") was established by Fine Noble as a limited liability company in the BVI on 7 June 2013, which in turn incorporated a wholly-owned subsidiary namely Hong Kong Peking University Resources Urban Development Limited ("Hong Kong Urban Development") in Hong Kong on 8 June 2013. Fine Noble owned 100% equity interest in Superb Virtue.

5) On 19 July 2013, Keen Delight and Founder Information entered into a sale and purchase agreement, pursuant to which Founder Information transferred all of its equity interest in Hong Kong PKU to Keen Delight at a cash consideration of HK$10,000. The transfer was completed on 19 July 2013.

6) On 18 August 2014, Keen Delight and Fine Noble entered into a sale and purchase agreement, pursuant to which Fine Noble transferred all of its equity interest in Superb Virtue to Keen Delight at a cash consideration of RMB6. The transfer was completed on 18 August 2014.

7) On 18 August 2014, Hong Kong Urban Development and Hong Kong PKU entered into a sale and purchase agreement, pursuant to which Hong Kong PKU transferred all of its 51% equity interest in Chongqing Fangyuan to Hong Kong Urban Development at a cash consideration of RMB25,499,994.

The transfer was completed on 18 August 2014. In addition to 30% equity interest in Chongqing Fangyuan acquired by Hong Kong Urban Development from a third party, Hong Kong Urban Development held 81% equity interest in Chongqing Fangyuan.

Reorganisation was completed on 18 August 2014.

Particulars of the subsidiaries of Keen Delight as at 30 September 2014 are set out below:

Name	Place and date of registration and business	Nominal value of registered/ paid-up share capital	Percentage of equity interest attributable to Keen Delight Direct	Indirect	Principal activities
Hong Kong PKU	Hong Kong 6 October 2010	HK$10,000	100%	–	Investment holding
Superb Virtue	BVI 7 June 2013	RMB40,500,000/ RMB6	63%	–	Investment holding
Hong Kong Urban Development	Hong Kong 8 June 2013	HK$1	–	63%	Investment holding
Changsha Longxin *(note(a))*	PRC 23 August 2013	RMB30,000,000/ RMB6,000,000	–	70%	Property development
Chongqing Fangyuan *(note (b))*	PRC 7 June 2013	RMB642,600,000/ RMB162,600,000	–	51%	Property development
Chengdu Lihui *(note(c))*	PRC 10 July 2013	RMB50,000,000/ RMB25,000,000	–	51%	Property development
Foshan Resources	PRC 19 November 2013	RMB100,000,000	–	51%	Property development

Notes:

(a) The statutory financial statements of Changsha Longxin for the period ended 31 December 2013 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by 亞太(集團)會計師事務所有限公司 (Asia Pacific Certified Public Accountants (Group) Company Limited*), certified public accountants registered in the PRC;

(b) The statutory financial statements of Chongqing Fangyuan for the period ended 31 December 2013 prepared under PRC GAAP were audited by 重慶勤業會計師事務所 (Chongqing Qinye Accounting Firm*), certified public accountants registered in the PRC.

(c) The statutory financial statements of Chengdu Lihui for the period ended 31 December 2013 prepared under PRC GAAP were audited by 北京亞太會計師事務所 (Beijing Asia Pacific Accounting Firm*), certified public accountants registered in the PRC.

* *For identification purpose only*

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, Keen Delight became the holding company of Hong Kong PKU and Superb Virtue. Hong Kong PKU and Superb Virtue now comprising Keen Delight Group were under the common control of Founder Information before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods and the nine months ended 30 September 2013.

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Keen Delight Group for the Relevant Periods include the results and cash flows the consolidated of all companies now comprising

Keen Delight Group from the earliest date presented or since the date when the Relevant Business first came under the common control of Founder Information, where this is a shorter period. The consolidated statements of financial position of Keen Delight Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the Relevant Business using the existing book values from Founder Information's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

The Financial Information incorporates the financial statements of Keen Delight Group for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as Keen Delight, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which Keen Delight Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owner of the parent of Keen Delight Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Keen Delight Group are eliminated in full on consolidation.

Keen Delight Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Keen Delight Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Keen Delight Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Keen Delight Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Keen Delight Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 FUNDAMENTAL ACCOUNTING CONCEPT

Notwithstanding that Keen Delight had deficiency in assets as at 30 September 2014, this Financial Information has been prepared under the going concern basis because 北大方正集團有限公司 (Peking University Founder Group Limited*) ("Peking Founder"), an intermediate holding company of Keen Delight, has agreed to provide adequate financial support to Keen Delight to meet its obligations as and when they fall due.

* *For identification purpose only*

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Keen Delight Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]

HKFRS 11 Amendments	Amendments to HKFRS11 *Joint Arrangements -Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Keen Delight Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Keen Delight Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Keen Delight. Control is achieved when Keen Delight Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Keen Delight Group the current ability to direct the relevant activities of the investee).

When Keen Delight has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Keen Delight Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Keen Delight Group's voting rights and potential voting rights.

The results of the subsidiary are included in Keen Delight's statements of profit or loss to the extent of dividends received and receivable. Keen Delight's investment in the subsidiary that is not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Keen Delight Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Keen Delight Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, Keen Delight Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Keen Delight Group if:

(a) the party is a person or a close member of that person's family and that person

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and Keen Delight Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and Keen Delight Group 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 Keen Delight Group or an entity related to Keen Delight Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (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).

Property, plant and equipment and depreciation

Property, plant and equipmentare stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Keen Delight Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of four years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Keen Delight Group is the lessor, assets leased by Keen Delight Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statements of profit or loss on the straight-line basis over the lease terms. Where Keen Delight Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statements of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Keen Delight Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statements of profit or loss. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Keen Delight Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- Keen Delight Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Keen Delight Group has transferred substantially all the risks and rewards of the asset, or (b) Keen Delight Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Keen Delight Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Keen Delight Group continues to recognise to the transferred asset to the extent of Keen Delight Group's continuing involvement. In that case, Keen Delight Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Keen Delight Group has retained.

Impairment of financial assets

Keen Delight Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Keen Delight Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Keen Delight Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Keen Delight Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statements of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Keen Delight Group's financial liabilities include trade payables, other payables and accruals, amounts due to related companies and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by Keen Delight Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Keen Delight Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Keen Delight Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which Keen Delight Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Keen Delight Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

Keen Delight Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees'basic salaries and are charged to the statements of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of Keen Delight Group in an independently administered fund. Keen Delight Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of Keen Delight Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in HK$, which is Keen Delight's functional and presentation currency. Each entity in Keen Delight Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Keen Delight Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of PRC subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of Keen Delight at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for each of the Relevant Periods.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statements of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for each of the Relevant Periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Keen Delight Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Keen Delight Groupbased on management's best estimates. When developing properties, Keen Delight Grouptypically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase on decrease in the development costs and other costs would affect the profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 9 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, Keen Delight Group has a single operating and reportable segment, which is property investment and development in Mainland China. All of Keen Delight Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, all of Keen Delight Group's non-current assets were located in Mainland China.

5. OTHER INCOME AND GAINS

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other income					
Bank interest income	–	–	72	11	1,207
Gains					
Foreign exchange differences, net	–	–	–	–	638
	–	–	72	11	1,845

6. LOSS BEFORE TAX

Keen Delight Group's loss before tax is arrived at after charging/(crediting):

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Depreciation	*11*	–	–	27	16	1,382
Amortisation of intangible assets	*12*	–	–	2	–	30
Minimum lease payments under operating leases of land and buildings		–	–	427	205	2,206
Auditors' remuneration		–	–	5	–	279
Foreign exchange differences, net		–	–	–	–	(638)
Employee benefit expense:						
Wages and salaries		–	–	6,649	873	20,175
Pension scheme contributions*		–	–	289	41	638
		–	–	6,938	914	20,813

* As at 31 December 2011, 2012, 2013 and 30 September 2014, Keen Delight Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Keen Delight Group's finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank loans	–	–	–	–	27,202
Interest on loans from 北大資源集團地產有限公司 (Peking University Resources Group Property Co., Limited*) ("PKU Property"), a fellow subsidiary of Peking Founder	–	–	188,896	66,233	438,898
Interest on loans from 北京方正信息技術有限公司 (Beijing Founder Information Technology Company Limited*) ("Beijing Founder Information"), a subsidiary of Peking Founder	–	–	2,824	–	7,318
Total interest expense	–	–	191,720	66,233	473,418
Less: Interest capitalised	–	–	(143,768)	(63,526)	(455,256)
	–	–	47,952	2,707	18,162

* *For identification purpose only*

8. DIRECTORS' REMUNERATION

No director received any fee or emolument in respect of their services rendered to Keen Delight Group during the Relevant Periods and the nine months ended 30 September 2013.

9. INCOME TAX

Hong Kong corporate income tax

No Hong Kong profit tax has been provided because Keen Delight Group did not have any assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2013.

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China, based on the existing legislation, interpretations and practices in respect thereof. No PRC corporate income tax has been provided because Keen Delight Group did not have any assessable profits arising in Mainland China during the Relevant Periods and the nine months ended 30 September 2013.

A reconciliation of the tax credit to loss before tax at the statutory income tax rates for the jurisdictions in which Keen Delight and its subsidiaries are domiciled to the tax position at the effective tax rate are as follows:

Keen Delight Group – Years ended 31 December 2011 and 2012

	Hong Kong Year ended 31 December	
	2011	**2012**
	HK$'000	*HK$'000*
Loss before tax	(11)	(5)
Tax at statutory tax rate of 16.5%	(2)	(1)
Tax losses not recognised	2	1
Tax position at the effective rate	–	–

Keen Delight Group – Year ended 31 December 2013

	Hong Kong	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(152)	(76,196)	(76,348)
Tax at statutory tax rate of 16.5% or 25%	(25)	(19,049)	(19,074)
Expenses not deductible for tax	–	444	444
Tax losses not recognised	25	18,605	18,630
Tax position at the effective rate	–	–	–

Keen Delight Group – Nine months ended 30 September 2014

	Hong Kong	**Mainland China**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(2,962)	(108,413)	(111,375)
Tax at statutory tax rate of 16.5% or 25%	(489)	(27,103)	(27,592)
Expenses not deductible for tax	–	842	842
Tax losses not recognised	489	26,261	26,750
Tax position at the effective rate	–	–	–

Keen Delight Group – Nine months ended 30 September 2013 (unaudited)

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(94)	(3,656)	(3,750)
Tax at statutory tax rate of 16.5% or 25%	(16)	(914)	(930)
Tax losses not recognised	16	914	930
Tax position at the effective rate	–	–	–

Deferred tax assets have not been recognised in respect of the following item:

Keen Delight Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	21	26	74,598	182,604

Keen Delight

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	–	–	11	26

At the end of each of the Relevant Periods, Keen Delight Group has tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 31 December 2013 and 30 September 2014, Keen Delight Group also has tax losses arising in Mainland China of HK$74,420,000 and HK$179,464,000, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by Keen Delight to its shareholder.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Keen Delight Group

	Leasehold improvements *HK$'000*	Furniture, fixtures, and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2011, 31 December 2011, 31 December 2012 and 1 January 2013, net of accumulated depreciation	–	–	–	–
Additions	–	1,314	4,224	5,538
Depreciation provided during the year	–	(27)	–	(27)
Exchange realignment	–	(1)	–	(1)
At 31 December 2013, and 1 January 2014, net of accumulated depreciation	–	1,286	4,224	5,510
Additions	1,520	1,816	3,777	7,113
Depreciation provided during the period	–	(379)	(1,003)	(1,382)
Exchange realignment	5	(12)	(42)	(49)
At 30 September 2014, net of accumulated depreciation	1,525	2,711	6,956	11,192
At 31 December 2011 and 2012:				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	–	–	–	–
At 31 December 2013:				
Cost	–	1,314	4,224	5,538
Accumulated depreciation	–	(28)	–	(28)
Net carrying amount	–	1,286	4,224	5,510
At 30 September 2014:				
Cost	1,525	3,120	7,961	12,606
Accumulated depreciation	–	(409)	(1,005)	(1,414)
Net carrying amount	1,525	2,711	6,956	11,192

12. INTANGIBLE ASSETS

Keen Delight Group

	Computer software *HK$'000*
Cost at 1 January 2011, 31 December 2011, 31 December 2012 and 1 January 2013, net of accumulated amortisation	–
Additions	32
Amortisation provided during the year	(2)
At 31 December 2013, and 1 January 2014, net of accumulated amortisation	30
Additions	127
Amortisation provided during the period	(30)
Exchange realignment	(1)
At 30 September 2014, net of accumulated amortisation	126
At 31 December 2011 and 2012:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
At 31 December 2013:	
Cost	32
Accumulated amortisation	(2)
Net carrying amount	30
At 30 September 2014:	
Cost	158
Accumulated amortisation	(32)
Net carrying amount	126

13. INVESTMENTS IN SUBSIDIARIES

Keen Delight

	As at 31 December 2013 *HK$'000*	**As at 30 September 2014** *HK$'000*
Unlisted shares, at cost	10	10

Particulars of Keen Delight's subsidiaries as at 30 September 2014 are set out in note 1 of this section.

Details of Keen Delight Group's subsidiaries that have material non-controlling interests are set out below:

	Period from date of incorporation to 31 December 2013	Nine months ended 30 September 2014
Percentage of equity interest held by non-controlling interests:		
Foshan Resources	49%	49%
Chengdu Lihui	49%	49%
Chongqing Fangyuan	49%	49%

	Period from date of incorporation to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Loss for the period allocated to non-controlling interests:		
Foshan Resources	(15,912)	(14,205)
Chengdu Lihui	(4,920)	(18,746)
Chongqing Fangyuan	(12,467)	(15,801)

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Accumulated balances of non-controlling interests at the end of each of the Relevant Periods		
Foshan Resources	(16,118)	31,717
Chengdu Lihui	10,714	(8,230)
Chongqing Fangyuan	18,735	144,613

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Foshan Resources

	Period from 19 November 2013 (date of incorporation) to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Total revenue	–	–
Total expenses	(32,474)	(28,990)
Loss for the period	(32,474)	(28,990)
Total comprehensive loss for the period	(32,894)	(28,640)

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Current assets	626,995	1,661,380
Non-current assets	259	4,018
Current liabilities	(35,079)	(228,370)
Non-current liabilities	(625,068)	(1,372,299)

	Period from 19 November 2013 (date of incorporation) to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Net cash flows used in operating activities	(614,960)	(872,114)
Net cash flows used in investing activities	(265)	(4,267)
Net cash flows from financing activities	625,068	873,493
Effect of foreign exchange rate changes, net	(419)	350
Net increase/(decrease) in cash and cash equivalents	9,424	(2,538)

Chengdu Lihui

	Period from 10 July 2013 (date of incorporation) to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Total revenue	–	–
Total expenses	(10,041)	(38,257)
Loss for the period	(10,041)	(38,257)
Total comprehensive loss for the period	(10,391)	(38,661)

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Current assets	2,289,703	2,719,040
Non-current assets	2,696	2,547
Current liabilities	(331,650)	(390,014)
Non-current liabilities	(1,938,883)	(2,348,368)

Chengdu Lihui

	Period from 10 July 2013 (date of incorporation) to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Net cash flows used in operating activities	(2,199,429)	(276,717)
Net cash flows used in investing activities	(3,926)	(369)
Net cash flows from financing activities	2,226,941	308,507
Effect of foreign exchange rate changes, net	(351)	(404)
Net increase in cash and cash equivalents	23,235	31,017

Chongqing Fangyuan

	Period from 7 June 2013 (date of incorporation) to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Total revenue	–	–
Total expenses	(25,443)	(32,246)
Loss for the period	(25,443)	(32,246)
Total comprehensive loss for the period	(25,109)	(32,350)

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Current assets	2,593,886	3,132,037
Non-current assets	792	769
Current liabilities	(1,273,990)	(1,654,234)
Non-current liabilities	(1,282,453)	(1,330,957)

	Period from 7 June 2013 (date of incorporation) to 31 December 2013	Nine months ended 30 September 2014
	HK$'000	*HK$'000*
Net cash flows used in operating activities	(1,248,444)	(234,160)
Net cash flows used in investing activities	(41,503)	(217,718)
Net cash flows from financing activities	1,345,797	456,347
Effect of foreign exchange rate changes, net	333	(104)
Net increase in cash and cash equivalents	56,183	4,365

14. PROPERTIES UNDER DEVELOPMENT

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	–	–	5,645,721	7,887,105

Keen Delight Group's properties under development are located in Mainland China and held under the following lease terms:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long term leases	–	–	2,703,478	4,137,676
Medium term leases	–	–	2,942,243	3,749,429
	–	–	5,645,721	7,887,105

At 30 September 2014, certain of Keen Delight Group's properties under development with a carrying value of approximately HK$1,047,064,000, were pledged to secure bank loans of HK$644,130,000, granted to 北大資源集團有限公司 (Peking University Resources Group Co., Ltd*) ("PKU Resources Group"), a fellow subsidiary of Keen Delight.

At 30 September 2014, certain of Keen Delight Group's current bank loans and non-current bank and other loans were secured by Keen Delight Group's properties under development with a carrying value of approximately HK$2,003,486,000.

As at 31 December 2013 and 30 September 2014, Keen Delight Group was in the progress of obtaining the land use right certificates of certain land of properties under development with an aggregate net carrying amount of approximately HK$1,041,705,000 and HK$926,056,000, respectively, from the relevant government authorities.

* *For identification purpose only*

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	–	–	615,874	41,602
Deposits and other receivables	–	–	553,566	575,252
	–	–	1,169,440	616,854

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. BALANCES WITH RELATED COMPANIES

Keen Delight Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from/(to)				
PKU Resources Group	–	–	–	25,371
PKU Property	–	–	–	26,589
北京北大資源物業經營管理集團有限公司 (Beijing Peking University Resources Property Management Group Co., Ltd.*), ("Resources Property Management"), a fellow subsidiary of Keen Delight	–	–	–	1,731
長沙恒隆房地產開發有限公司 (Changsha Henglong Property Development Co., Limited*), a fellow subsidiary of Keen Delight	–	–	–	1,160
	–	–	–	54,851
Founder Information	(12)	(16)	(74,285)	(191,972)
PKU Resources Group	–	–	(21,182)	–
PKU Property	–	–	(100,698)	(345,219)
Hong Kong Tianranju Holdings Limited, a fellow subsidiary of Keen Delight	(9)	(10)	(10)	(10)
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd*), (a fellow subsidiary of Keen Delight	–	–	–	(843)
Beijing Founder Information	–	–	(817)	–
新津北創房地產開發有限公司 (XinjinBeichuang Property Development Co., Limited*), a fellow subsidiary of Keen Delight	–	–	(284)	(1,313)
	(21)	(26)	(197,276)	(539,357)

* *For identification purpose only*

Keen Delight

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Due from		
PKU Property	–	26,589
Due to		
Founder Information	(21)	(26,632)

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

* *For identification purpose only*

17. CASH AND BANK BALANCES AND RESTRICTED CASH

Keen Delight Group

		As at 31 December			As at 30 September
		2011	2012	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	*(a)*	10	10	157,137	479,167
Less: restricted cash	*(b)*	–	–	(40,698)	(258,304)
		10	10	116,439	220,863

Keen Delight

		As at 31 December 2013	As at 30 September 2014
	Note	*HK$'000*	*HK$'000*
Cash and bank balances	*(a)*	–	7

Notes:

(a) The cash and bank balances and restricted cash of Keen Delight Group denominated in Renminbi ("RMB") amounted to HK$91,078,000 and HK$198,272,000 as at 31 December 2013 and 30 September 2014, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Keen Delight Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Pursuant to relevant regulations in the PRC, Keen Delight Group are required to place certain amounts at designated bank accounts as deposits for the construction of the relevant properties. As at 31 December 2013 and 30 September 2014, such deposits amounted to approximately HK$40,698,000 and HK$258,304,000, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year or on demand	–	–	1,210,741	855,326

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

19. OTHER PAYABLES AND ACCRUALS

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Advance from customers	–	–	41,572	676,773
Other payables and accruals	–	–	26,110	54,036
	–	–	67,682	730,809

Other payables are non-interest-bearing and have an average term of three months to one year.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

Keen Delight Group

	As at 31 December									As at 30 September		
	2011			2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*
Current												
Bank loans – secured	–	–	–	–	–	–	0.7	2014	546,000	0.7-8.2	2015	812,114
Other loans – unsecured*	–	–	–	–	–	–	11.5	2014	255,800	–	–	–
Other loans – unsecured#	–	–	–	–	–	–	–	–	–	11.5-12.0	2015	5,284,877
			–			–			801,800			6,096,991
Non-current												
Bank loans – secured	–	–	–	–	–	–	–	–	–	8.2	2016	271,545
Other loans – unsecured#	–	–	–	–	–	–	11.5	2015	4,722,736	–	–	–
Other loans – secured**	–	–	–	–	–	–	–	–	–	9.8	2016	442,050
			–			–			4,722,736			713,595
			–			–			5,524,536			6,810,586

* The balance represents amounts due to Beijing Founder Information.

\# The balance represents amounts due to PKU Property.

** The loans represented entrusted loans from a third party.

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year	–	–	546,000	812,114
In the second year	–	–	–	271,545
	–	–	546,000	1,083,659
Other loans repayable:				
Within one year	–	–	255,800	5,284,877
In the second year	–	–	4,722,736	442,050
	–	–	4,978,536	5,726,927
	–	–	5,524,536	6,810,586

At 31 December 2013 and 30 September 2014, certain of Keen Delight Group's current bank loans were secured by time deposits of Founder Information with a carrying value of approximately HK$546,000,000 and HK$546,000,000, respectively.

At 30 September 2014, certain of Keen Delight Group's non-current bank loans and non-current bank and other loans were secured by Keen Delight Group's properties under development with a carrying value of approximately HK$2,003,486,000.

As at 30 September 2014, certain of Keen Delight Group's bank loans were guaranteed by PKU Resources Group and Peking Founder.

At 30 September 2014, certain of Keen Delight Group's properties under development with a carrying value of approximately HK$1,047,064,000, were pledged to secure bank loans of HK$644,130,000, granted to PKU Resources Group.

Except for bank borrowings of HK$546,000,000 and HK$546,000,000 denominated in United States dollars ("USD") at 31 December 2013 and 30 September 2014, respectively, all bank and other borrowings above are denominated in RMB.

21. ISSUED CAPITAL

	As at 31 December 2013	As at 30 September 2014
	HK$	*HK$*
Authorised:		
50,000 ordinary shares of US$1 each	388,090	388,090
Issued and fully paid:		
1 ordinary share of US$1 each	8	8

During the Relevant Periods, the movement in share capital of Keen Delight is as follows:

On 23 May 2013 (date of incorporation), 1 ordinary share was issued at par.

A summary of the transaction during the Relevant Periods with reference to the above movement in Keen Delight's issued capital is as follows:

	As at 31 December 2013	As at 30 September 2014
	HK$	*HK$*
Issued and fully paid:		
At beginning of the year/period	–	8
Issue of shares	8	–
At end of the year/period	8	8

22. RESERVES

Keen Delight Group

The amounts of Keen Delight Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I of the Financial Information.

(i) Capital reserve

The capital reserve of Keen Delight Group represented capital injection from shareholders arising in waiver of a payable to shareholders.

(ii) Merger reserve

The merger reserve of Keen Delight Group represents the capital contributions from the equity holders of a subsidiary now comprising Keen Delight Group before the completion of the Reorganisation as detailed in note 1 to the Financial Information.

23. CONTINGENT LIABILITIES

As at 30 September 2014, Keen Delight Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Keen Delight Group's properties amounting to HK$247,401,000. It represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Keen Delight Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Keen Delight Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and Keen Delight Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Keen Delight Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of Keen Delight consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 30 September 2014.

24. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Keen Delight Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from three months to three years.

At the end of each of the Relevant Periods, Keen Delight Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,813	5,607
In the second to fifth years, inclusive	–	–	2,879	2,167
	–	–	4,692	7,774

Keen Delight has no lease commitments as at the end of each of the Relevant Periods.

25. COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, Keen Delight Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Properties under development	–	–	133,445	2,014,724

Keen Delight had no commitment as at the end of each of the Relevant Periods.

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the Financial Information, Keen Delight Group had the following material transactions with a related party during the Relevant Periods and the nine months ended 30 September 2013:

		Year ended 31 December			Nine months ended 30 September	
	Notes	2011	2012	2013	2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Licensee fee to PKU Resources Group	*(i)*	–	–	416	–	6,648
Interest expense paid or payable (before interest capitalisation) to PKU Property	*(ii)*	–	–	188,896	66,233	438,898
Interest expense paid or payable (before interest capitalisation) to Beijing Founder Information	*(ii)*	–	–	2,824	–	7,318

Notes:

(i) Licensee fee was charged in accordance with 1% of property pre-sales revenue of the respective properties.

(ii) Interest expenses were paid at an interest rate ranging from 11.5% to 12.0% per annum.

(b) Other transactions with related parties:

Details of Keen Delight Group's balances with related companies as at 31 December 2011, 2012 and 2013 and 30 September 2014 are disclosed in notes 16 and 20 to the Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposits and other receivables	–	–	553,566	575,252
Due from related companies	–	–	–	54,851
Restricted cash	–	–	40,698	258,304
Cash and bank balances	10	10	116,439	220,863
	10	10	710,703	1,109,270

Keen Delight

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Due from a related company	–	26,589
Cash and bank balances	–	7
	–	26,596

Financial liabilities – Financial liabilities at amortised cost

Keen Delight Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	1,210,741	855,326
Financial liabilities included in other payables and accruals	–	–	26,110	38,880
Due to related companies	21	26	197,276	539,357
Interest-bearing bank and other borrowings	–	–	5,524,536	6,810,586
	21	26	6,958,663	8,244,149

Keen Delight

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Due to a related company	21	26,632

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Keen Delight Group's and Keen Delight's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Keen Delight Group and Keen Delight did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Keen Delight Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for Keen Delight Group's operations. Keen Delight Group has various other financial assets and liabilities such as trade payables and balances with related parties, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Keen Delight Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Keen Delight Group's financial instruments are credit risk and liquidity risk. The directors of Keen Delight reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Other than the exposure of bank deposits made in foreign currencies, Keen Delight and its subsidiaries are not exposed to significant foreign currency exchange risks as their transactions and balances were substantially denominated in their respective functional currencies.

Credit risk

The credit risk of Keen Delight Group's other financial assets, which comprise cash and bank balances, deposits and other receivables from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Keen Delight Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Keen Delight Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Keen Delight Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Keen Delight Group

	Within one year or on demand	**More than one year but less than two years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
31 December 2011			
Due to a related company	21	–	21
31 December 2012			
Due to a related company	26	–	26
31 December 2013			
Trade payables	1,210,741	–	1,210,741
Financial liabilities included in other payables and accruals	26,110	–	26,110
Due to related companies	197,276	–	197,276
Interest-bearing bank and other borrowings	1,378,153	4,927,540	6,305,693
	2,812,280	4,927,540	7,739,820
30 September 2014			
Trade payables	855,326	–	855,326
Financial liabilities included in other payables and accruals	38,880	–	38,880
Due to related companies	539,357	–	539,357
Interest-bearing bank and other borrowings	6,628,912	872,809	7,501,721
	8,062,475	872,809	8,935,284

The maturity profile of Keen Delight's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Keen Delight

	Within one year or on demand	
	As at 31 December 2013	**As at 30 September 2014**
	HK$'000	*HK$'000*
Due to a related company	21	26,632

Capital management

The primary objectives of Keen Delight Group's capital management are to safeguard Keen Delight Group's ability to continue as a going concern.

Keen Delight Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Keen Delight Group is not subject to any externally imposed capital requirements.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Keen Delight Group or its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of Extol High Enterprises Limited ("Extol") and its subsidiaries (hereinafter collectively referred to as "Extol Group") which comprise the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of Extol Group for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Extol Group as at 31 December 2011, 2012 and 2013 and 30 September 2014 and the statements of financial position of Extol as at 31 December 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss, statements of comprehensive income, statement of changes in equity and statement of cash flows of Extol Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in Extol, 重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*), 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 青島北大資源地產有限公司 (Qingdao Peking University Resources Company Co., Limited*), 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*) and Keen Delight Global Limited.

Extol was incorporated in the British Virgin Islands (the "BVI") on 30 May 2013. As at the end of the Relevant Periods, Extol has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies comprising Extol Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Extol Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Extol (the "Directors") have prepared the consolidated financial statements of Extol Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the

"HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Extol Group and Extol as at 31 December 2011, 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Extol Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
REVENUE	*5*	–	–	–	–	747,772
Cost of Sales		–	–	–	–	(654,735)
Gross profit		–	–	–	–	93,037
Gain on bargain purchase	*25*	–	–	–	–	92,257
Other income	*5*	–	–	–	–	501
Selling and marketing expenses		–	–	–	–	(18,094)
Administrative expenses		(15)	(4)	(31)	(15)	(10,130)
Finance costs	*7*	–	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	*6*	(15)	(4)	(31)	(15)	157,571
Income tax credit	*9*	–	–	–	–	2,680
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(15)	(4)	(31)	(15)	160,251
Attributable to:						
Owners of the parent		(15)	(4)	(31)	(15)	161,933
Non-controlling interests		–	–	–	–	(1,682)
		(15)	(4)	(31)	(15)	160,251

(b) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(15)	(4)	(31)	(15)	160,251
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	–	–	–	–	378
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	–	–	–	–	378
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	–	–	–	–	378
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(15)	(4)	(31)	(15)	160,629
Attributable to:					
Owners of the parent	(15)	(4)	(31)	(15)	162,315
Non-controlling interests	–	–	–	–	(1,686)
	(15)	(4)	(31)	(15)	160,629

(c) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 September
	Notes	2011	2012	2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	–	–	–	6,036
Intangible assets	*12*	–	–	–	316
Total non-current assets		–	–		6,352
CURRENT ASSETS					
Properties under development	*14*	–	–	–	3,620,972
Properties held for sale	*15*	–	–	–	665,460
Prepayments, deposits and other receivables	*16*	–	–	–	29,994
Due from related companies	*17*	–	–	–	508
Tax recoverable		–	–	–	19,280
Restricted cash	*18*	–	–	–	83,144
Cash and bank balances	*18*	1,000	1,000	1,773	64,389
Total current assets		1,000	1,000	1,773	4,483,747
CURRENT LIABILITIES					
Trade payables	*19*	–	–	–	148,206
Other payables and accruals	*20*	4	4	4	1,110,097
Due to related companies	*17*	1,019	1,023	1,837	535,249
Interest-bearing bank and other borrowings	*21*	–	–	–	873,150
Tax payables		–	–	–	4,625
Total current liabilities		1,023	1,027	1,841	2,671,327
NET CURRENT ASSETS/ (LIABILITIES)		(23)	(27)	(68)	1,812,420
TOTAL ASSETS LESS CURRENT LIABILITIES		(23)	(27)	(68)	1,818,772

	Notes	As at 31 December 2011	2012	2013	As at 30 September 2014
		HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	21	–	–	–	1,575,340
Deferred tax liabilities	22	–	–	–	66,814
Total non-current liabilities		–	–	–	1,642,154
Net assets/(liabilities)		(23)	(27)	(68)	176,618
EQUITY/(DEFICIENCY IN ASSETS)					
Equity attributable to owners of the parent					
Issued capital	23	–	–	–	–
Reserves	24	(23)	(27)	(68)	162,247
Non-controlling interests		–	–	–	14,371
Total equity/(deficiency in assets)		(23)	(27)	(68)	176,618

(d) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent					
	Notes	**Issued capital**	**Merger reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Deficiency in assets**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011		–	10	(18)	(8)	–	(8)
Loss and total comprehensive loss for the year		–	–	(15)	(15)	–	(15)
At 31 December 2011 and 1 January 2012		–	10*	(33)*	(23)	–	(23)
Loss and total comprehensive loss for the year		–	–	(4)	(4)	–	(4)
At 31 December 2012 and 1 January 2013		–	10*	(37)*	(27)	–	(27)
Issue of shares on incorporation	*23*	–	–	–	–	–	–
Acquisition of a subsidiary under common control	*1*	–	(10)	–	(10)	–	(10)
Loss and total comprehensive loss for the year		–	–	(31)	(31)	–	(31)
At 31 December 2013 and 1 January 2014		–	–*	(68)*	(68)	–	(68)

	Notes	Attributable to owners of the parent						
		Issued capital	Merger reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity/ (deficiency in assets)
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013 and 1 January 2014		–	–*	–*	(68)*	(68)	–	(68)
Profit/(loss) for the period		–	–	–	161,933	161,933	(1,682)	160,251
Other comprehensive income/ (loss) for the period:								
Exchange differences on translation of foreign operations		–	–	382	–	382	(4)	378
Total comprehensive income/ (loss) for the period		–	–	382	161,933	162,315	(1,686)	160,629
Acquisition of subsidiaries	*25*	–	–	–	–	–	16,057	16,057
At 30 September 2014		–	–*	382*	161,865*	162,247	14,371	176,618
At 1 January 2013		–	10	–	(37)	(27)	–	(27)
Loss and total comprehensive loss for the period (unaudited)		–	–	–	(15)	(15)	–	(15)
Issue of shares on incorporation (unaudited)	*23*	–	–	–	–	–	–	–
Acquisition of a subsidiary under common control (unaudited)	*1*	–	(10)	–	–	(10)	–	(10)
At 30 September 2013 (unaudited)		–	–	–	(52)	(52)	–	(52)

* These reserve accounts comprise the consolidated reserves of HK$23,000 (deficit), HK$27,000 (deficit), HK$68,000 (deficit) and HK$162,247,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively.

(e) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(15)	(4)	(31)	(15)	157,571
Adjustments for:						
Interest income	5	–	–	–	–	(501)
Depreciation	6	–	–	–	–	1,503
Amortisation of intangible assets	6	–	–	–	–	734
Gain on bargain purchase	25	–	–	–	–	(92,257)
		(15)	(4)	(31)	(15)	67,050
Decrease in properties under development		–	–	–	–	975,817
Increase in properties held for sale		–	–	–	–	(665,460)
Decrease in prepayments, deposits and other receivables		–	–	–	–	488,599
Decrease in due from related companies		–	–	–	–	4,842
Increase in trade payables		–	–	–	–	98,672
Increase/(decrease) in other payables and accruals		4	–	–	1,812	(571,696)
Increase/(decrease) in amounts due to related companies		12	4	814	(1,023)	(351,850)
Cash generated from operations		1	–	783	774	45,974
Interest received		–	–	–	–	501
Interest paid		–	–	–	–	(214,873)
Land appreciation tax paid		–	–	–	–	(18,130)
Net cash flows from/(used in) operating activities		1	–	783	774	(186,528)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment	11	–	–	–	–	(499)
Increase in restricted cash		–	–	–	–	(51,933)
Acquisition of a subsidiary under common control		–	–	(10)	–	–
Acquisition of subsidiaries	25	–	–	–	–	26,379
Net cash flows used in investing activities		–	–	(10)	–	(26,053)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
New other loans		–	–	–	–	513,694
Repayment of other loans		–	–	–	–	(238,848)
Net cash flows from financing activities		–	–	–	–	274,846
NET INCREASE IN CASH AND CASH EQUIVALENTS		1	–	773	774	62,265
Cash and cash equivalents at beginning of year/ period		999	1,000	1,000	1,000	1,773
Effect of foreign exchange rate change, net		–	–	–	–	351
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	18	1,000	1,000	1,773	1,774	64,389
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	18	1,000	1,000	1,773	1,774	64,389

(f) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2013 HK$'000	As at 30 September 2014 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	13	10	10
Total non-current assets		10	10
CURRENT ASSETS			
Cash and bank balances	18	–	8
Total current assets		–	8
CURRENT LIABILITIES			
Due to a related company	17	21	40
Total current liabilities		21	40
NET CURRENT LIABILITIES		(21)	(32)
Net liabilities		(11)	(22)
DEFICIENCY IN ASSETS			
Issued capital	23	–	–
Accumulated losses		(11)	(22)
Total deficiency in assets		(11)	(22)

Note: At the time of incorporation, 1 ordinary share with par value of US$1 was issued by Extol.

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Extol High Enterprises Limited ("Extol") is a limited liability company incorporated in the British Virgin Islands (the "BVI") on 30 May 2013. The registered office of Extol is located at Offshore Incorporations Centre P.O, Box 957, Road Town, Tortola, the BVI.

The principal activity of Extol and its subsidiaries (collectively referred to as "Extol Group") is property development (the "Relevant Business") during the Relevant Periods and the nine months ended 30 September 2013.

In the opinion of the directors of Extol, Extol's ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the PRC.

Prior to the establishment of Extol, the Relevant Business was carried out by Hong Kong Yingfeng Holdings Limited ("Hong Kong Yingfeng"), one of the subsidiaries now comprising Extol Group, which was controlled by Founder Information (Hong Kong) Limited ("Founder Information").

In order to rationalise the current corporate structure of Extol Group, the following principal reorganisation steps were undertaken to establish Extol Group (the "Recorganisation"):

1) Hong Kong Yingfeng was established as a limited liability company on 6 October 2010. Founder Information directly held 100% equity interest in Hong Kong Yingfeng.

2) Extol was established as a limited liability company on 30 May 2013. Founder Information indirectly held 100% equity interest in Extol.

3) On 17 July 2013, Extol and Founder Information entered into a sale and purchase agreement pursuant to which Founder Information transferred all of its equity interest in Hong Kong Yingfeng to Extol at a cash consideration of HK$10,000. The transfer and the Reorganisation were completed on 17 July 2013.

Particulars of the subsidiaries of Extol as at 30 September 2014 are set out below:

Name	Place and date of registration and business	Nominal value of registered/ paid-up share capital	Percentage of equity interest attributable to Extol		Principal activities
			Direct	Indirect	
Hong Kong Yingfeng	Hong Kong 6 October 2010	HK$10,000	100%	–	Investment holding
重慶盈豐房地產有限公司 Chongqing Yingfeng Property Co., Limited* ("Chongqing Yingfeng")	PRC 19 October 2006	RMB80,000,000	–	100%	Property development
武漢天合錦城房地產發展有限公司 (Wuhan Tianhe Jincheng Property Development Co., Limited*) ("Wuhan Tianhe")	PRC 6 December 2013	RMB50,000,000	–	70%	Property development

* *For identification purpose only*

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, Extol became the holding company of Hong Kong Yingfeng on 17 July 2013. Hong Kong Yingfeng now comprising Extol Group was under the common control of Founder Information before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods and the nine months ended 30 September 2013.

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Extol Group for the Relevant Periods include the results and cash flows of all companies now comprising Extol Group from the earliest date presented or since the date when the Relevant Business first came under the common control of Founder Information, where this is a shorter period. The consolidated statements of financial position of Extol Group as at 31 December 2011 and 2012 have been prepared to present the assets and liabilities of the Relevant Business using the existing book values from Founder Information's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

The Financial Information incorporates the financial statements of Extol Group for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as Extol, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which Extol Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owner of the parent of Extol Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Extol Group are eliminated in full on consolidation.

Extol Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Extol Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Extol Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Extol Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Extol Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$000) except when otherwise indicated.

2.3 FUNDAMENTAL ACCOUNTING CONCEPT

Notwithstanding that Extol had deficiency in assets as at 30 September 2014, this Financial Information has been prepared under the going concern basis because 北大方正集團有限公司 (Peking University Founder Group Company Limited*) ("Peking Founder"), an intermediate holding company of Extol, has agreed to provide adequate financial support to Extol to meet its obligations as and when they fall due.

* *For identification purpose only*

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Extol Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Extol Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Extol Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Extol. Control is achieved when Extol Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Extol Group the current ability to direct the relevant activities of the investee).

When Extol has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Extol Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Extol Group's voting rights and potential voting rights.

The results of the subsidiaries are included in Extol's statements of profit or loss to the extent of dividends received and receivable. Extol's investments in the subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by Extol Group, liabilities assumed by Extol Group to the former owners of the acquiree and the equity interests issued by Extol Group in exchange for control of the acquiree. For each business combination, Extol Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When Extol Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of Extol Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Extol Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Extol Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of Extol Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Extol Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Extol Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, Extol Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Extol Group if:

(a) the party is a person or a close member of that person's family and that person

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and Extol Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and Extol Group 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 Extol Group or an entity related to Extol Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Extol Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of four years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Extol Group is the lessor, assets leased by Extol Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statements of profit or loss on the straight-line basis over the lease terms. Where Extol Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statements of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Extol Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statements of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statements of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Extol Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- Extol Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Extol Group has transferred substantially all the risks and rewards of the asset, or (b) Extol Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Extol Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Extol Group continues to recognise to the transferred asset to the extent of Extol Group's continuing involvement. In that case, Extol Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Extol Group has retained.

Impairment of financial assets

Extol Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Extol Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Extol Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statements of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Extol Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statements of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Extol Group's financial liabilities include trade payables, other payables and accruals, amount due to related companies, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by Extol Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Extol Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Extol Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Extol Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Extol Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the significant risks and rewards of ownership of the properties are transferred to the purchasers, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

Extol Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statements of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of Extol Group in an independently administered fund. Extol Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of Extol Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in HK$, which is Extol's functional and presentation currency. Each entity in Extol Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Extol Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of Extol at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the Relevant Periods.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statements of profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for each of the Relevant Periods.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of Extol Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Extol Group based on management's best estimates. When developing properties, Extol Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 22 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, Extol Group has a single operating and reportable segment, which is property development in Mainland China. All of Extol Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, Extol Group's non-current assets were substantially located in Mainland China.

5. REVENUE AND OTHER INCOME

Revenue, which is also Extol Group's turnover, represents the gross proceeds from the sale of properties, net of business tax, during the Relevant Periods and the nine months ended 30 September 2013.

An analysis of Extol Group's revenue and other income is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue					
Sale of properties	–	–	–	–	747,772
Other income					
Bank interest income	–	–	–	–	501

6. PROFIT/(LOSS) BEFORE TAX

Extol Group's profit/(loss) before tax is arrived at after charging:

		Year ended 31 December			Nine months ended 30 September	
	Notes	2011	2012	2013	2013	2014
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cost of properties sold		–	–	–	–	654,735
Depreciation	*11*	–	–	–	–	1,503
Amortisation of intangible assets	*12*	–	–	–	–	734
Minimum lease payments under operating leases of land and buildings		–	–	–	–	1,198
Auditors' remuneration		–	–	–	–	7
Foreign exchange differences, net		–	–	–	–	776
Employee benefit expense:						
Wages and salaries		–	–	–	–	6,210
Pension scheme contributions*		–	–	–	–	352
		–	–	–	–	6,562

* As at 31 December 2011, 2012 and 2013 and 30 September 2014, Extol Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Extol Group's finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd* ("PKU Resources Group"), a fellow subsidiary of Extol	–	–	–	–	28,473
Interest on loans from 北大資源集團地產有限公司 (Peking University Resources Property Co., Limited*) ("PKU Property"), a fellow subsidiary of Extol	–	–	–	–	67,005
Interest on loans from 西南合成醫藥集團有限公司 (Southwest Synthetic Pharmaceutical Co., Ltd.*) ("Southwest Pharmaceutical"), a fellow subsidiary of Peking Founder	–	–	–	–	490
Interest on loans from a third party	–	–	–	–	101,932
Interest on loans from banks	–	–	–	–	16,973
Total interest expense	–	–	–	–	214,873
Less: Interest capitalised	–	–	–	–	(214,873)
	–	–	–	–	–

* *For identification purpose only*

8. DIRECTORS' REMUNERATION

No director received any fee or emolument in respect of their services rendered to Extol Group during the Relevant Periods and the nine months ended 30 September 2013.

9. INCOME TAX

Hong Kong corporate income tax

No Hong Kong profits tax has been provided because Extol Group did not have any assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2013.

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. The PRC subsidiaries of Extol Group are subject to the PRC corporate income tax rate of 25% during the Relevant Periods and the nine months ended 30 September 2013.

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Extol Group:					
Current – PRC corporate income tax	–	–	–	–	3,475
Deferred *(note 22)*	–	–	–	–	(6,155)
Total tax credit for the year/period	–	–	–	–	(2,680)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which Extol and its subsidiaries are domiciled to the tax position at the effective tax rates is as follows:

Extol Group – Years ended 31 December 2011, 2012 and 2013

	Hong Kong Year ended 31 December		
	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(15)	(4)	(31)
Tax at statutory tax rate of 16.5%	(2)	(1)	(5)
Tax losses not recognised	2	1	5
Tax position at the effective rate	–	–	–

Extol Group – Nine months ended 30 September 2014

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	91,460	66,111	157,571
Tax at statutory tax rate of 16.5%/25%	15,091	16,528	31,619
Income not subject to tax	(15,222)	–	(15,222)
Expenses not deductible for tax	–	66	66
Tax losses utilised from previous years	–	(20,817)	(20,817)
Tax losses not recognised	131	1,543	1,674
Tax credit at the effective rate	–	(2,680)	(2,680)

Extol Group – Nine months ended 30 September 2013 (unaudited)

	Hong Kong
	HK$'000
Loss before tax	(15)
Tax at statutory tax rate of 16.5%	(2)
Tax losses not recognised	2
Tax position at the effective rate	–

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Extol Group

	Leasehold improvements	**Furniture, fixture, and office equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011, 31 December 2011, 31 December 2012, 31 December 2013, and 1 January 2014, net of accumulated depreciation	–	–	–	–
Acquisition of subsidiaries *(note 25)*	1,627	1,995	3,421	7,043
Additions	–	499	–	499
Depreciation provided during the period	(514)	(345)	(644)	(1,503)
Exchange realignment	(2)	–	(1)	(3)
At 30 September 2014	1,111	2,149	2,776	6,036
At 31 December 2011, 2012 and 2013:				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	–	–	–	–
At 30 September 2014:				
Cost	1,626	2,494	3,420	7,540
Accumulated depreciation	(515)	(345)	(644)	(1,504)
Net carrying amount	1,111	2,149	2,776	6,036

12. INTANGIBLE ASSETS

Extol Group

	Software
	HK$'000
Cost at 1 January 2011, 31 December 2011, 31 December 2012, 31 December 2013, and 1 January 2014, net of accumulated amortisation	–
Acquisition of subsidiaries *(note 25)*	1,052
Amortisation provided during the period	(734)
Exchange realignment	(2)
At 30 September 2014, net of accumulated amortisation	316
At 31 December 2011, 2012 and 2013:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
At 30 September 2014:	
Cost	1,051
Accumulated amortisation	(735)
Net carrying amount	316

13. INVESTMENTS IN SUBSIDIARIES

Extol

	As at 31 December 2013	**As at 30 September 2014**
	HK$'000	*HK$'000*
Unlisted shares, at cost	10	10

Particulars of Extol's subsidiaries as at 30 September 2014 are set out in note 1 of this section.

Details of Extol's subsidiary that has material non-controlling interests are set out below:

	Period from 28 February 2014 (date of acquisition of subsidiaries) to 30 September 2014
Percentage of equity interest held by non-controlling interests:	
Wuhan Tianhe	30%

	Period from 28 February 2014 (date of acquisition of subsidiaries) to 30 September 2014
	HK$'000
Loss for the period allocated to non-controlling interests:	
Wuhan Tianhe	(1,682)

	As at 30 September 2014
	HK$'000
Accumulated balances of non-controlling interests at the end of the period:	
Wuhan Tianhe	14,371

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company elimination:

Wuhan Tianhe

	Period from 28 February 2014 (date of acquisition of subsidiaries) to 30 September 2014
	HK$'000
Total revenue	–
Total expense	(5,606)
Loss and total comprehensive loss for the period	(5,619)

	As at 30 September 2014
	HK$'000
Current assets	921,943
Non-current assets	86
Current liabilities	(79,268)
Non-current liabilities	(794,856)

	Period from 28 February 2014 (date of acquisition of subsidiaries) to 30 September 2014
	HK$'000
Net cashflows used in operating activities	(62,596)
Net cashflows used in investing activities	(90)
Net cashflows from financing activities	62,747
Effect of foreign exchange rate changes, net	(13)
Net increase in cash and cash equivalents	48

14. PROPERTIES UNDER DEVELOPMENT

Extol Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	–	–	–	3,620,972

Extol Group's properties under development are located in Mainland China and held under the following lease terms:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Long term leases	–	–	–	920,209
Medium term leases	–	–	–	2,700,763
	–	–	–	3,620,972

As at 30 September 2014, certain of Extol Group's properties under development with a carrying value of approximately HK$1,208,353,000 were pledged to secure bank and other loans of HK$1,264,680,000, granted to Extol Group (note 21).

As at 30 September 2014, Extol Group was in the progress of obtaining the land use right certificates of certain land of properties under development with an aggregate net carrying amount of approximately HK$131,045,000 from the relevant government authorities.

15. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost.

At 30 September 2014, certain of Extol Group's properties held for sale with a carrying value of approximately HK$651,781,000 were pledged to secure banking and other loans of HK$1,264,680,000, granted to Extol Group.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Extol Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	–	–	–	9,806
Deposits and other receivables	–	–	–	20,188
	–	–	–	29,994

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. BALANCES WITH RELATED COMPANIES

Extol Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from/(to)				
重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited *) ("Chongqing Resources"), a fellow subsidiary of Extol	–	–	–	504
北京北大資源物業經營管理集團有限公司 (Beijing Peking University Resources Property Management Group Co., Ltd. *) ("Resource Property Management"), a fellow subsidiary of Extol	–	–	–	4
	–	–	–	508
Founder Information	(1,019)	(1,023)	(1,837)	(1,864)
PKU Resources Group	–	–	–	(136,369)
PKU Property	–	–	–	(397,016)
	(1,019)	(1,023)	(1,837)	(535,249)

Extol

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Due to		
Founder Information	21	40

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

* *For identification purpose only*

18. CASH AND BANK BALANCES AND RESTRICTED CASH

Extol Group

		As at 31 December			As at 30 September
		2011	2012	2013	2014
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	*(a)*	1,000	1,000	1,773	147,533
Less: restricted cash	*(b)*	–	–	–	(83,144)
		1,000	1,000	1,773	64,389

Extol

	Note	As at 31 December 2013 HK$'000	As at 30 September 2014 HK$'000
Cash and bank balances	*(a)*	–	8

Notes:

(a) The cash and bank balances and restricted cash of Extol Group denominated in RMB amounted to HK$146,530,000 as at 30 September 2014. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Extol Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Pursuant to relevant regulations in the PRC, Extol Group is required to place certain amounts at designated bank accounts as deposits for the construction of the relevant properties. As at 30 September 2014, such deposits amounted to approximately HK$61,635,000. In addition, as at 30 September 2014, certain of Extol Group's restricted bank balances of HK$21,509,000 were pledged to secure bank loans granted to Extol Group (note 21).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Extol Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year or on demand	–	–	–	148,206

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

20. OTHER PAYABLES AND ACCRUALS

Extol Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Advance from customers	–	–	–	149,430
Other payables and accruals	4	4	4	960,667
	4	4	4	1,110,097

Other payables are non-interest-bearing and have an average term of three months to one year.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

Extol Group

	As at 31 December									As at 30 September		
	2011			2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*
Current												
Bank loans – secured	–	–	–	–	–	–	–	–	–	8.6	2014	52,200
Other loans – secured**	–	–	–	–	–	–	–	–	–	13.3	2015	820,950
			–			–			–			873,150
Non-current												
Bank loans – secured	–	–	–	–	–	–	–	–	–	8.8	2016	202,080
Other loans – unsecured*	–	–	–	–	–	–	–	–	–	11.5-12.0	2015-2016	1,183,810
Other loans – secured **	–	–	–	–	–	–	–	–	–	13.3	2016	189,450
			–			–			–			1,575,340
			–			–			–			2,448,490

* The balance represents amounts due to PKU Resources Group.

** The balance represents amounts due to a third party.

Extol Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year	–	–	–	52,200
In the second year	–	–	–	–
In the third to fifth years, inclusive	–	–	–	202,080
	–	–	–	254,280
Other loans repayable:				
Within one year	–	–	–	820,950
In the second year	–	–	–	1,373,260
	–	–	–	2,194,210
	–	–	–	2,448,490

As at 30 September 2014, certain of the bank and other loans were secured by Extol Group's properties under development with a carrying value of approximately HK$1,208,353,000 (note 14), properties held for sale with a carrying value of approximately HK$651,781,000 (note 15) and restricted bank balances of HK$21,509,000 (note 18).

As at 30 September 2014, certain of Extol Group's other loans were guaranteed by Peking Founder.

As at 30 September 2014, all bank and other borrowings above are denominated in RMB.

22. DEFERRED TAX

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Extol Group

	Fair value adjustments arising from acquisition of subsidiaries *HK$000*
Deferred tax liabilities at 1 January 2011, 31 December 2011, 31 December 2012 and 31 December 2013	–
Acquisition of subsidiaries *(note 25)*	72,979
Deferred tax credited to the statement of profit or loss and comprehensive Income during the period	(6,155)
Exchange realignment	(10)
Deferred tax liabilities at 30 September 2014	66,814

Deferred tax assets have not been recognised in respect of the following items:

Extol Group

	As at 31 December			**As at 30 September**
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	15	19	50	7,016

Extol

	As at 31 December 2013	**As at 30 September 2014**
	HK$'000	*HK$'000*
Tax losses	11	22

At end of each of the Relevant Periods, Extol Group has tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As at 30 September 2014, Extol Group also has tax losses arising in Mainland China of HK$6,172,000 that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by Extol to its shareholder.

23. ISSUED CAPITAL

	As at 31 December 2013 *HK$*	As at 30 September 2014 *HK$*
Authorised:		
50,000 ordinary share of US$1 each	8	8
Issued and fully paid:		
1 ordinary share of US$1 each	8	8

During the Relevant Periods, the movement in share capital of Extol is as follows:

On 30 May 2013 (date of incorporation of Extol), 1 ordinary share was issued at par.

A summary of the transaction during the Relevant Periods with reference to the above movement in Extol's issued capital is as follows:

	As at 31 December 2013 *HK$*	As at 30 September 2014 *HK$*
Issued and fully paid:		
At beginning of the year/period	–	8
Issue of shares	8	–
At end of the year/period	8	8

24. RESERVES

Extol Group

The amounts of Extol Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in Section I of the Financial Information.

Merger reserve

The merger reserve of Extol Group represents the capital contributions from the equity holders of a subsidiary now comprising Extol Group before the completion of the Reorganisation as detailed in note 1 to the Financial Information.

25. BUSINESS COMBINATION

During the nine months ended 30 September 2014, Extol Group acquired 100% equity interests in 重慶盈豐地產有限公司 (Chongqing Yingfeng Property Co., Limited*) ("Chongqing Yingfeng") from a third party at a consideration of RMB725,000,000 (equivalent to approximately HK$915,530,000). Chongqing Yingfeng and its subsidiary (collectively referred to as "Chongqing Yingfeng Group") are principally engaged in property development.

Extol Group has elected to measure the non-controling interest in Chongqing Yinfeng Group at the non-controlling interest's proportionate share of Chongqing Yingfeng Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of Chongqing Yingfeng Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Property, plant and equipment	*11*	7,043
Intangible assets	*12*	1,052
Properties under development		4,381,916
Restricted cash		31,211
Cash and bank balances		26,379
Prepayments, deposits and other receivables		518,594
Due from related companies		5,350
Trade payables		(49,534)
Other payables and accruals		(766,281)
Due to related companies		(885,262)
Interest-bearing bank and other borrowings		(2,173,645)
Deferred tax liabilities		(72,979)
Total identifiable net assets at fair value		1,023,844
Non-controlling interests		(16,057)
Gain on bargain purchase		(92,257)
		915,530
Satisfied by cash#		915,530

* *For identification purpose only*

\# *Cash consideration of HK$915,530,000 was unpaid by Extol Group and was included in Extol Group's other payables and accruals as at 30 September 2014.*

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash and bank balances acquired and net inflow of cash and cash equivalents included in cash flows from investing activities	26,379

Since the acquisition date to 30 September 2014, Chonqing Yingfeng Group generated revenue of HK$747,772,000 and recorded a net profit of approximately HK$68,222,000.

Had the combination taken place at the beginning of the nine months ended 30 September 2014, the profit of Extol Group attributable to owners of the parent for the nine months ended 30 September 2014 would have been HK$158,211,000.

26. CONTINGENT LIABILITIES

As at 30 September 2014, Extol Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Extol Group's properties amounting to approximately HK$201,500,000. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Extol Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Extol Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and Extol Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Extol Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of Extol consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 30 September 2014.

27. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Extol Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, Extol Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	–	1,862
In the second to fifth years, inclusive	–	–	–	4,786
	–	–	–	6,648

Extol had no lease commitments as at the end of each of the Relevant Periods.

28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, Extol Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Properties under development	–	–	–	1,184,107

Extol had no lease commitments as at the end of each of the Relevant Periods.

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in this Financial Information, Extol Group had the following material transactions with related parties during the Relevant Periods and the nine months ended 30 September 2013:

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest expense paid or payable (before interest capitalisation) to PKU Resources Group	*(i)*	–	–	–	–	28,473
Interest expense paid or payable (before interest capitalisation) to PKU Property	*(i)*	–	–	–	–	67,005
Interest expense paid or payable (before capitalisation) to Southwest Pharmaceutical	*(ii)*	–	–	–	–	490
Property fee to Beijing Peking University Resources Property Limited	*(iii)*	–	–	–	–	1,248
Licensee fee to PKU Resources Group	*(iv)*	–	–	–	–	2,556

Notes:

(i) The interest expenses were paid at an interest rate ranging from 11.5% to 12.0% per annum.

(ii) The interest expenses were paid at an interest rate of 7% per annum.

(iii) Property service fee was determined at a monthly payment mutually agreed between Extol Group and Beijing Peking University Resources Property Limited.

(iv) Licensee fee was charged in accordance with 1% of property pre-sales revenue of the respective properties.

(b) Outstanding balances with related parties:

Details of Extol Group's balances with related companies as at 31 December 2011, 2012 and 2013 and 30 September 2014 are disclosed in notes 17 and 21 to the Financial Information.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Extol Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in prepayments, deposits and other receivables	–	–	–	20,188
Due from related companies	–	–	–	508
Restricted cash	–	–	–	83,144
Cash and bank balances	1,000	1,000	1,773	64,389
	1,000	1,000	1,773	168,229

Extol

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Cash and bank balances	–	8

Financial liabilities – Financial liabilities at amortised cost

Extol Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	–	–	–	148,206
Financial liabilities included in other payables and accruals	4	4	4	960,667
Due to related companies	1,019	1,023	1,837	535,249
Interest-bearing bank and other borrowings	–	–	–	2,448,490
	1,023	1,027	1,841	4,092,612

Extol

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Due to a related company	21	40

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Extol Group's and Extol's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Extol Group and Extol did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Extol Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for Extol Group's operations. Extol Group has various other financial assets and liabilities such as trade payables and balances with related parties, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Extol Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Extol Group's financial instruments are credit risk and liquidity risk. The directors of Extol review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of Extol Group's other financial assets, which comprise cash and bank balances, from default of the counterparty, with a maximum exposure equal to the carrying amounts of the instruments.

Liquidity risk

Extol Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Extol Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Extol Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Extol Group

	Within one year or on demand	**More than one year but less than two years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
31 December 2011			
Financial liabilities included in other payables and accruals	4	–	4
Due to related companies	1,019	–	1,019
	1,023	–	1,023

	Within one year or on demand	More than one year but less than two years	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2012			
Financial liabilities included in other payables and accruals	4	–	4
Due to related companies	1,023	–	1,023
	1,027	–	1,027
31 December 2013			
Financial liabilities included in other payables and accruals	4	–	4
Due to related companies	1,837	–	1,837
	1,841	–	1,841
30 September 2014			
Trade payables	148,206	–	148,206
Financial liabilities included in other payables and accruals	960,667	–	960,667
Due to related companies	535,249	–	535,249
Interest-bearing bank and other borrowings	1,142,766	1,646,669	2,789,435
	2,786,888	1,646,669	4,433,577

The maturity profile of Extol's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Extol

	As at 31 December 2013	As at 30 September 2014
	HK$'000	*HK$'000*
Due to a related company	21	40

Capital management

The primary objectives of Extol Group's capital management are to safeguard Extol Group's ability to continue as a going concern.

Extol Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Extol Group is not subject to any externally imposed capital requirements.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Extol Group or its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of Chongqing Peking University Resources Property Co., Limited* ("Chongqing Resources") and its subsidiaries (hereinafter collectively referred to as "Chongqing Resources Group") which comprise the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Chongqing Resources Group for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Chongqing Resources Group as at 31 December 2011, 2012 and 2013 and 30 September 2014 and the statements of financial position of Chongqing Resources as at 31 December 2011, 2012 and 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Chongqing Resources Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in Chongqing Resources, 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*), 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*), Extol High Enterprises Limited and Keen Delight Global Limited.

Chongqing Resources was incorporated in the People's Republic of China (the "PRC") on 25 August 2010. As at the end of the Relevant Periods, Chongqing Resources has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies comprising Chongqing Resources Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Chongqing Resources Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Chongqing Resources (the "Directors") have prepared the consolidated financial statements of Chongqing Resources Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Chongqing Resources Group and Chongqing Resources as at 31 December 2011, 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Chongqing Resources Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other income	*5*	–	43	1,160	256	965
Selling and marketing expenses		–	(2,281)	(37,463)	(20,122)	(20,563)
Administrative expenses		(89)	(5,932)	(10,603)	(7,129)	(9,386)
Finance costs	*7*	–	–	–	–	–
Share of loss of an associate		–	–	(3,820)	(82)	(6,127)
LOSS BEFORE TAX	*6*	(89)	(8,170)	(50,726)	(27,077)	(35,111)
Income tax expense	*9*	–	–	–	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(89)	(8,170)	(50,726)	(27,077)	(35,111)
Attributable to:						
Owners of the parent		(89)	(5,779)	(36,694)	(19,014)	(26,433)
Non-controlling interests		–	(2,391)	(14,032)	(8,063)	(8,678)
		(89)	(8,170)	(50,726)	(27,077)	(35,111)

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	–	4,268	8,463	6,679
Investment in an associate	*13*	–	–	5,680	112,153
Pledged deposits	*18*	–	–	35,000	–
Total non-current assets		–	4,268	49,143	118,832
CURRENT ASSETS					
Properties under development	*14*	–	1,228,181	1,645,758	3,081,852
Prepayments, deposits and other receivables	*15*	–	15,576	1,204,772	105,604
Due from related companies	*16*	20,000	68,800	100,000	1,774,288
Tax recoverable		–	–	19,986	36,322
Restricted bank balances	*17*	–	10,011	7,137	60,105
Pledged deposits	*18*	–	–	320,000	–
Cash and cash equivalents	*18*	115	6,382	240,987	46,666
Total current assets		20,115	1,328,950	3,538,640	5,104,837
CURRENT LIABILITIES					
Trade payables	*19*	–	564,208	282,134	133,954
Other payables and accruals	*20*	4	3,259	785,136	1,251,863
Due to related companies	*16*	200	48,029	1,187,293	1,227,791
Interest-bearing bank and other borrowings	*21*	–	–	521,142	1,774,157
Tax payable		–	–	2,523	–
Total current liabilities		204	615,496	2,778,228	4,387,765
NET CURRENT ASSETS		19,911	713,454	760,412	717,072
TOTAL ASSETS LESS CURRENT LIABILITIES		19,911	717,722	809,555	835,904
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*21*	–	616,981	759,540	800,000
Total non-current liabilities		–	616,981	759,540	800,000

	Note	As at 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	As at 30 September 2014 RMB'000
Net assets		19,911	100,741	50,015	35,904
EQUITY					
Equity attributable to owners of the parent					
Issued capital	22	20,000	100,000	100,000	100,000
Accumulated losses		(89)	(5,868)	(42,562)	(68,995)
		19,911	94,132	57,438	31,005
Non-controlling interests		–	6,609	(7,423)	4,899
Total equity		19,911	100,741	50,015	35,904

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent				
		Issued capital	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011		20,000	–	20,000	–	20,000
Loss and total comprehensive loss for the year		–	(89)	(89)	–	(89)
At 31 December 2011 and 1 January 2012		20,000	(89)	19,911	–	19,911
Issue of shares	22	80,000	–	80,000	–	80,000
Contribution from a non-controlling shareholder		–	–	–	9,000	9,000
Loss and total comprehensive loss for the year		–	(5,779)	(5,779)	(2,391)	(8,170)
At 31 December 2012 and 1 January 2013		100,000	(5,868)	94,132	6,609	100,741
Loss and total comprehensive loss for the year		–	(36,694)	(36,694)	(14,032)	(50,726)
At 31 December 2013 and 1 January 2014		100,000	(42,562)	57,438	(7,423)	50,015
Contribution from non-controlling shareholders		–	–	–	21,000	21,000
Loss and total comprehensive loss for the period		–	(26,433)	(26,433)	(8,678)	(35,111)
At 30 September 2014		100,000	(68,995)	31,005	4,899	35,904
At 1 January 2013		100,000	(5,868)	94,132	6,609	100,741
Loss and total comprehensive loss for the period (unaudited)		–	(19,014)	(19,014)	(8,063)	(27,077)
At 30 September 2013 (unaudited)		100,000	(24,882)	75,118	(1,454)	73,664

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2011	2012	2013	Nine months ended 30 September 2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(89)	(8,170)	(50,726)	(27,077)	(35,111)
Adjustments for:						
Finance costs	7	–	–	–	–	–
Interest income	5	–	(43)	(1,160)	(256)	(965)
Share of loss of an associate		–	–	3,820	82	6,127
Depreciation	6	–	476	2,517	1,720	1,839
		(89)	(7,737)	(45,549)	(25,531)	(28,110)
Decrease/(increase) in properties under development		47	(615,908)	(225,845)	(181,501)	(1,362,764)
Decrease/(increase) in prepayments, deposits and other receivables		–	(16,666)	(1,191,898)	(1,357,620)	1,112,799
Increase in amounts due from related companies		(20,000)	(940)	(73,309)	(91,914)	(1,674,288)
Decrease in trade payables		–	–	(389,858)	(25,391)	(148,181)
Increase in other payables and accruals		4	2,243	781,879	515,742	466,727
Increase/(decrease) in amounts due to related companies		200	(31)	1,181,373	1,364,106	40,498
Cash generated from/(used in) operations		(19,838)	(639,039)	36,793	197,891	(1,593,319)
Interest received		–	43	1,160	256	965
Interest paid		–	(45,963)	(81,248)	(12,554)	(86,960)
Land appreciation tax paid		–	–	(12,162)	(6,837)	(10,809)
PRC corporate income tax paid		–	–	(5,301)	(5,302)	(8,050)
Net cash flows from/(used in) operating activities		(19,838)	(684,959)	(60,758)	173,454	(1,698,173)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		–	(4,744)	(6,712)	(4,754)	(55)
Decrease/(increase) in pledged deposits		–	–	(355,000)	(409,989)	355,000
Decrease/(increase) in restricted bank balances		–	(10,011)	2,874	–	(52,968)
Investment in an associate		–	–	(9,500)	(9,500)	(112,600)
Net cash flows from/(used in) investing activities		–	(14,755)	(368,338)	(424,243)	189,377
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares	22	–	80,000	–	–	–
New bank loans		–	–	260,000	130,000	40,000
New other loans		–	1,172,481	2,183,661	1,862,519	2,435,404
Repayment of bank loans		–	–	(460)	–	(88,380)
Repayment of other loans		–	(555,500)	(1,779,500)	(1,619,500)	(1,093,549)

	Notes	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Nine months ended 30 September 2013 RMB'000 (Unaudited)	2014 RMB'000
Contribution from non-controlling shareholders of subsidiaries		–	9,000	–	–	21,000
Net cash flows from financing activities		–	705,981	663,701	373,019	1,314,475
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(19,838)	6,267	234,605	122,230	(194,321)
Cash and cash equivalents at beginning of year/ period		19,953	115	6,382	6,382	240,987
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	18	115	6,382	240,987	128,612	46,666
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	18	115	6,382	210,987	128,612	46,666
Non-pledged time deposits with original maturity of less than three months when acquired	18	–	–	30,000	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows and consolidated statements of financial position		115	6,382	240,987	128,612	46,666

(e) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2011 *RMB'000*	As at 31 December 2012 *RMB'000*	As at 31 December 2013 *RMB'000*	As at 30 September 2014 *RMB'000*
NON-CURRENT ASSETS					
Investments in subsidiaries	*12*	–	21,000	21,000	70,000
Investment in an associate	*13*	–	–	9,500	122,100
Total non-current assets		–	21,000	30,500	192,100
CURRENT ASSETS					
Deposits and other receivables	*15*	–	10,000	1,150,494	–
Due from related companies	*16*	20,000	68,800	100,000	1,043,075
Due from a subsidiary	*12*	–	–	–	45,000
Cash and cash equivalents	*18*	115	86	136	1,469
Total current assets		20,115	78,886	1,250,630	1,089,544
CURRENT LIABILITIES					
Other payables and accruals	*20*	4	7	9	7
Due to related companies	*16*	200	169	1,181,542	1,181,598
Due to a subsidiary	*12*	–	–	–	515
Total current liabilities		204	176	1,181,551	1,182,120
NET CURRENT ASSETS/ (LIABILITIES)		19,911	78,710	69,079	(92,576)
NET ASSETS		19,911	99,710	99,579	99,524
EQUITY					
Issued capital	*22*	20,000	100,000	100,000	100,000
Accumulated losses		(89)	(290)	(421)	(476)
Total equity		19,911	99,710	99,579	99,524

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*) ("Chongqing Resources") (note (a)) is a limited liability company registered in the PRC on 25 August 2010. The registered office of Chongqing Resources is located at No. 1, Jin'gang New District, Jiangbei District, Chongqing, the PRC.

The principal activity of Chongqing Resources Group was property development during the Relevant Periods and the nine months ended 30 September 2013.

Chongqing Resources's immediate holding company is 北大資源集團地產有限公司 (Peking University Resources Group Property Co., Limited*) ("PKU Property"). In the opinion of the directors of Chongqing Resources, Chongqing Resources's ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the PRC.

Particulars of the subsidiaries of Chongqing Resources as at 30 September 2014 are set out below:

Name	Place and date of registration and business	Nominal value of registered capital	Percentage of equity interest directly attributable to Chongqing Resources	Principal activities
重慶盈普投資有限公司 (Chongqing Yingpu Investment Co., Limited*) ("Chongqing Yingpu") (note (b))	PRC/ Mainland China 18 May 2012	RMB50,000,000	70%	Property development
重慶悦豐地產有限公司 (Chongqing Yuefeng Property Co., Limited.*) ("Chongqing Yuefeng")	PRC/Mainland China 20 February 2014	RMB50,000,000	70%	Property development

Notes:

(a) The statutory financial statements of Chongqing Resources for the years ended 31 December 2012 and 2013 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by北京科勤會計師事務所 (Beijing Keqin Certified Public Accountants Firm*) ("Beijing Keqin CPA") and亞太（集團）會計師事務所有限公司 (Asia Pacific (Group) Certified Public Accountants Company Limited*) ("Asia Pacific CPA"), respectively, both of which are certified public accountants registered in the PRC.

(b) The statutory financial statements of Chongqing Yingpu for the period ended 31 December 2012 and year ended 31 December 2013 prepared under PRC GAAP were audited by Beijing Keqin CPA and Asia Pacific CPA, respectively.

* *For identification purpose only*

2.1 BASIS OF PRESENTATION

The Financial Information incorporates the financial statements of Chongqing Resources Group for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as Chongqing Resources, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which Chongqing Resources Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of Chongqing Resources Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Chongqing Resources Group are eliminated in full on consolidation.

Chongqing Resources Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Chongqing Resources Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Chongqing Resources Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Chongqing Resources Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Chongqing Resources Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.3 FUNDAMENTAL ACCOUNTING CONCEPT

Notwithstanding that Chongqing Resources had net current liabilities as at 30 September 2014, this Financial Information has been prepared on the going concern basis because 北大方正集團有限公司 (Peking University Founder Group Co., Ltd.*) ("Peking Founder"), a fellow subsidiary of Chongqing Resources, has agreed to provide adequate financial support to Chongqing Resources to meet its obligations as and when they fall due.

* *For identification purpose only*

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Chongqing Resources Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16*Property, Plant and Equipment* and HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Chongqing Resources Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Chongqing Resources Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Chongqing Resources. Control is achieved when Chongqing Resources Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Chongqing Resources Group the current ability to direct the relevant activities of the investee).

When Chongqing Resources has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Chongqing Resources Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Chongqing Resources Group's voting rights and potential voting rights.

The results of the subsidiaries are included in Chongqing Resources's profit or loss to the extent of dividends received and receivable. Chongqing Resources's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Chongqing Resources Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Chongqing Resources Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Chongqing Resources Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Chongqing Resources Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Chongqing Resources Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Chongqing Resources Group;

(ii) has significant influence over Chongqing Resources Group; or

(iii) is a member of the key management personnel of Chongqing Resources Group or of a parent of Chongqing Resources Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Chongqing Resources Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Chongqing Resources Group 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 Chongqing Resources Group or an entity related to Chongqing Resources Group;

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Chongqing Resources Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixture and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Chongqing Resources Group is the lessor, assets leased by Chongqing Resources Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where Chongqing Resources Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Chongqing Resources Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statements of profit or loss and other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Chongqing Resources Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Chongqing Resources Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Chongqing Resources Group has transferred substantially all the risks and rewards of the asset, or (b) Chongqing Resources Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Chongqing Resources Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Chongqing Resources Group continues to recognise to the transferred asset to the extent of Chongqing Resources Group's continuing involvement. In that case, Chongqing Resources Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Chongqing Resources Group has retained.

Impairment of financial assets

Chongqing Resources Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Chongqing Resources Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Chongqing Resources Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Chongqing Resources Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Chongqing Resources Group's financial liabilities include trade payables, other payables and accruals, amounts due to related companies and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by Chongqing Resources Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Chongqing Resources Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Chongqing Resources Group's cash management.

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Chongqing Resources Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Chongqing Resources Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of Chongqing Resources Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in RMB, which is Chongqing Resources's functional and presentation currency. Each entity in Chongqing Resources Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Chongqing Resources Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of Chongqing Resources Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Chongqing Resources Group based on management's best estimates. When developing properties, Chongqing Resources Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, Chongqing Resources Group has a single operating and reportable segment, which is property development in Mainland China. All of Chongqing Resources Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, all of Chongqing Resources Group's non-current assets were located in Mainland China.

5. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Bank interest income	–	43	1,160	256	965

6. LOSS BEFORE TAX

		Year ended 31 December			Nine months ended 30 September	
	Note	2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation	*11*	–	476	2,517	1,720	1,839
Minimum lease payments under operating leases of land and buildings		–	439	1,461	741	1,970
Employee benefit expense:						
Wages and salaries		34	3,088	8,240	5,899	4,745
Pension scheme contributions*		2	154	360	283	257
		36	3,242	8,600	6,182	5,002

* As at 31 December 2011, 2012 and 2013 and 30 September 2014, Chongqing Resources Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Chongqing Resources Group's finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on bank loans	–	–	8,899	6,050	13,480
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group"), an intermediate holding company of Chongqing Resources	–	47,860	56,106	41,834	154,416
Interest on loans from third parties	–	–	17,454	12,063	31,974
Total interest expenses	–	47,860	82,459	59,947	199,870
Less: Interest capitalised	–	(47,860)	(82,459)	(59,947)	(199,870)
	–	–	–	–	–

* *For identification purpose only*

8. DIRECTORS' REMUNERATION

No director received any fee or emolument in respect of their services rendered to Chongqing Resources Group during the Relevant Periods and the nine months ended 30 September 2013.

9. INCOME TAX

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China, based on the existing legislation, interpretations and practices in respect thereof. No PRC corporate income tax has been provided because Chongqing Resources Group did not have any assessable profits arising in Mainland China during the Relevant Periods and the nine months ended 30 September 2013.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which Chongqing Resources and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Chongqing Resources Group

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loss before tax	(89)	(8,170)	(50,726)	(27,077)	(35,111)
Tax at statutory tax rate of 25%	(22)	(2,043)	(12,682)	(6,769)	(8,778)
Loss attributable to an associate	–	–	955	21	1,532
Expenses not deductible for tax	–	160	3,103	1,382	1,002
Tax losses not recognised	22	1,883	8,624	5,366	6,244
Tax charge at the effective rate	–	–	–	–	–

Deferred tax assets have not been recognised in respect of the following item:

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	89	7,621	42,117	67,093

Chongqing Resources

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	89	290	421	477

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by Chongqing Resources to its shareholder.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Chongqing Resources Group

	Leasehold improvements	**Furniture, fixture and office equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011, 31 December 2011 and 1 January 2012, net of accumulated depreciation	–	–	–	–
Additions	1,050	380	3,314	4,744
Depreciation provided during the year	(191)	(19)	(266)	(476)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	859	361	3,048	4,268
Additions	4,514	1,286	912	6,712
Depreciation provided during the year	(1,599)	(164)	(754)	(2,517)
At 31 December 2013, and 1 January 2014, net of accumulated depreciation	3,774	1,483	3,206	8,463
Additions	922	155	–	1,077
Disposal	(1,022)	–	–	(1,022)
Depreciation provided during the period	(945)	(260)	(634)	(1,839)
At 30 September 2014, net of accumulated depreciation	2,729	1,378	2,572	6,679

Chongqing Resources Group

	Leasehold improvements *RMB'000*	Furniture, fixture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2011:				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	–	–	–	–
At 31 December 2012:				
Cost	1,050	380	3,314	4,744
Accumulated depreciation	(191)	(19)	(266)	(476)
Net carrying amount	859	361	3,048	4,268
At 31 December 2013:				
Cost	5,564	1,666	4,226	11,456
Accumulated depreciation	(1,790)	(183)	(1,020)	(2,993)
Net carrying amount	3,774	1,483	3,206	8,463
At 30 September 2014:				
Cost	5,464	1,821	4,226	11,511
Accumulated depreciation	(2,735)	(443)	(1,654)	(4,832)
Net carrying amount	2,729	1,378	2,572	6,679

12. INVESTMENTS IN SUBSIDIARIES

Chongqing Resources

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	21,000	21,000	70,000

Particulars of Chongqing Resources's subsidiaries as at 30 September 2014 are set out in note 1 of this section.

As at 30 September 2014, the balances with the subsidiaries included in the current assets and liabilities of Chongqing Resources's statements of financial position were unsecured, interest-free and were repayable on demand or within one year.

Details of Chongqing Resources's subsidiary that has material non-controlling interests are set out below:

	Year ended 31 December		Nine months ended 30 September	
	2012	**2013**	**2013**	**2014**
			(Unaudited)	
Percentage of equity interest held by non-controlling interests:				
Chongqing Yingpu	30%	30%	30%	30%
Chongqing Yuefeng	–	–	–	30%

	Year ended 31 December		Nine months ended 30 September	
	2012	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss for the year/period allocated to non-controlling interests:				
Chongqing Yingpu	(2,391)	(14,032)	(8,063)	(8,525)
Chongqing Yuefeng	–	–	–	(153)

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Accumulated balances of non-controlling interests at the end of the year/period			
Chongqing Yingpu	6,609	(7,423)	(9,948)
Chongqing Yuefeng	–	–	14,847

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Chongqing Yingpu

	Year ended 31 December		Nine months ended 30 September	
	2012	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Total revenue	–	–	–	–
Total expenses	(7,970)	(46,773)	(26,877)	(28,417)
Loss and total comprehensive loss for the year/period	(7,970)	(46,773)	(26,877)	(28,417)

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Current assets	1,250,064	2,288,010	2,917,717
Non-current assets	4,268	43,463	6,662
Current liabilities	(615,320)	(1,596,677)	(2,157,538)
Non-current liabilities	(616,981)	(759,540)	(800,000)

	Year ended 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash flows from/(used in) operating activities	(625,930)	(71,326)	69,429	(817,297)
Net cash flows from/(used in) investing activities	(4,744)	(357,820)	(414,743)	301,995
Net cash flows from financing activities	636,970	663,701	418,019	310,568
Net increase/(decrease) in cash and cash equivalents	6,296	234,555	72,705	(204,734)

Chongqing Yuefeng

	Nine months ended 30 September 2014
	RMB'000
Total revenue	–
Total expenses	(511)
Loss and total comprehensive loss for the period	(511)

	As at 30 September 2014
	RMB'000
Current assets	1,098,091
Non-current assets	18
Current liabilities	(1,048,620)

	Nine months ended 30 September 2014
	RMB'000
Net cash flows used in operating activities	(1,086,971)
Net cash flows used in investing activities	(1,856)
Net cash flows from financing activities	1,097,907
Net increase in cash and cash equivalents	9,080

13. INVESTMENT IN AN ASSOCIATE

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	–	5,680	112,153

Chongqing Resources

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	–	9,500	122,100

Particulars of Chongqing Resources Group's associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to Chongqing Resources Group	Principal activity
重慶方源盈潤置業有限公司# (Chongqing Fangyuan Yingrun Property Co., Limited*) ("Chongqing Fangyuan")	Registered capital of RMB1 each	PRC/Mainland China	19%	Property development

\# Not audited by Ernst & Young, Hong Kong, or another member firm of the Ernst & Young global network

Chongqing Resources Group's shareholding in the associate is directly held by Chongqing Resources.

Chongqing Resources Group's associate is not individually material to Chongqing Resources Group.

* *For identification purpose only*

14. PROPERTIES UNDER DEVELOPMENT

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	–	1,228,181	1,645,758	3,081,852

All of Chongqing Resources Group's properties under development are situated in Mainland China and are held under medium term leases.

At 31 December 2013 and 30 September 2014, Chongqing Resources Group's properties under development with a carrying value of approximately RMB752,027,000 and RMB753,472,000, were pledged to secure bank loans of RMB259,540,000 and RMB211,160,000, respectively (note 21).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	–	64	2,048	6,073
Deposits and other receivables	–	15,512	1,202,724	99,531
	–	15,576	1,204,772	105,604

Chongqing Resources

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	–	10,000	1,150,494	–

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. BALANCES WITH RELATED COMPANIES

An analysis of the balances with related companies is as follows:

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)				
PKU Resources Group	–	48,800	80,000	417,948
PKU Property	–	–	–	675,000
北大資源(開封)有限公司 (Peking University Resources (Kaifeng) Company Limited*) ("PKU Resources Kaifeng"), a fellow subsidiary of Chongqing Resources	20,000	20,000	20,000	–
重慶盈睿置業有限公司 (Chongqing Yingrui Property Company Limited*) ("Chongqing Yingrui"), a fellow subsidiary of Chongqing Resources	–	–	–	681,340
	20,000	68,800	100,000	1,774,288

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PKU Resources Group	(200)	(47,860)	(5,751)	(45,000)
PKU Property	–	–	(1,181,199)	(1,181,199)
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd. *) ("PKU Resources Holdings"), an intermediate holding company of Chongqing Resources	–	–	–	(1,193)
重慶盈豐地產有限公司 (Chongqing Yingfeng Property Co., Limited*) ("Chongqing Yingfeng"), a fellow subsidiary of Chongqing Resources	–	(169)	(343)	(399)
	(200)	(48,029)	(1,187,293)	(1,227,791)

* *For identification purpose only*

Chongqing Resources

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)				
PKU Resources Group	–	48,800	80,000	361,735
PKU Resources Kaifeng	20,000	20,000	20,000	–
Chongqing Yingrui	–	–	–	681,340
	20,000	68,800	100,000	1,043,075
PKU Resources Group	(200)	–	–	–
PKU Property	–	–	(1,181,199)	(1,181,199)
Chongqing Yingfeng	–	(169)	(343)	(399)
	(200)	(169)	(1,181,542)	(1,181,598)

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

17. RESTRICTED BANK BALANCES

Pursuant to the relevant regulations in the PRC, Chongqing Resources Group is required to place certain amounts at designated bank accounts as deposits for the construction of the relevant properties. As at 31 December 2012 and 2013 and 30 September 2014, such deposits amounted to approximately RMB10,011,000, RMB7,137,000 and RMB60,105,000, respectively.

18. CASH AND CASH EQUIVALENTS

Chongqing Resources Group

	Notes	As at 31 December			As at 30 September
		2011	2012	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances		115	6,382	210,987	46,666
Time deposits		–	–	385,000	–
		115	6,382	595,987	46,666
Less:					
Pledged time deposits for short term other loans	*21*	–	–	(320,000)	–
Pledged time deposits for long term bank loans	*21*	–	–	(35,000)	–
Cash and cash equivalents		115	6,382	240,987	46,666

Chongqing Resources

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	115	86	136	1,469

The cash and bank balances and time deposits of Chongqing Resources Group are all denominated in RMB as at 31 December 2011, 2012 and 2013 and 30 September 2014. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Chongqing Resources Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or on demand	–	564,208	282,134	133,954

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

20. OTHER PAYABLES AND ACCRUALS

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	–	–	734,237	1,191,434
Other payables and accruals	4	3,259	50,899	60,429
	4	3,259	785,136	1,251,863

Chongqing Resources

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	4	7	9	7

Other payables are non-interest-bearing and have an average term of three months to one year.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

Chongqing Resources Group

	As at 31 December									As at 30 September		
	2011			2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current												
Bank loans – secured	–	–	–	–	–	–	–	–	–	7.4	2015	211,160
Other loans – unsecured*	–	–	–	–	–	–	11.5	2014	206,142	10.0-12.0	2015	1,547,907
Other loans – secured**	–	–	–	–	–	–	6.1	2014	315,000	–	–	–
Other loans – unsecured**	–	–	–	–	–	–	–-	–	–	10.0	2015	15,090
			–			–			521,142			1,774,157
Non-current												
Bank loans – secured	–	–	–	–	–	–	7.4	2015	259,540	–	–	–
Other loans – unsecured*	–	–	–	11.5-15.0	2014	616,981	10.0	2015	500,000	–	–	–
Other loans – unsecured**	–	–	–	–	–	–	–	–	–	9.3	2016	800,000
			–			616,981			759,540			800,000
			–			616,981			1,280,682			2,574,157

* The balances represent amounts due to PKU Resources Group.

** The balances represent amounts due to third parties.

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	–	–	–	211,160
In the second year	–	–	259,540	–
	–	–	259,540	211,160
Other loans repayable:				
Within one year	–	–	521,142	1,562,997
In the second year	–	616,981	500,000	800,000
	–	616,981	1,021,142	2,362,997
	–	616,981	1,280,682	2,574,157

Certain of Chongqing Resources Group's bank and other loans were secured by:

(a) mortgages over Chongqing Resources Group's properties under development with an aggregate net carrying amount of approximately RMB752,027,000 and RMB753,472,000 at 31 December 2013 and 30 September 2014, respectively (note 14); and

(b) the pledge of certain of Chongqing Resources Group's time deposits amounting to approximately RMB355,000,000 at 31 December 2013 (note 18).

As at 31 December 2013 and 30 September 2014, certain of Chongqing Resources Group's bank and other loans were guaranteed by Peking Founder.

22. ISSUED CAPITAL

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and paid-up capital	20,000	100,000	100,000	100,000

During the Relevant Periods, the movements in share capital were as follows:

(a) Pursuant to an ordinary resolution passed on 7 August 2012, the authorised share capital of Chongqing Resources was increased from RMB20,000,000 to RMB100,000,000 by the creation of 80,000,000 additional shares of RMB1 each, ranking pari passu in all respects with the existing shares of Chongqing Resources.

(b) On 7 August 2012, 80,000,000 shares of RMB1 each was issued at par to the existing shareholder of Chongqing Resources, which resulted in proceeds of RMB80,000,000. The purpose of the issue was to provide additional working capital for Chongqing Resources Group.

A summary of the transaction during the Relevant Periods with reference to the above movement in Chongqing Resources's issued capital is as follows:

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
At beginning of the year/period	20,000	20,000	100,000	100,000
Issue of shares	–	80,000	–	–
At end of the year/period	20,000	100,000	100,000	100,000

23. CONTINGENT LIABILITIES

As at 31 December 2013 and 30 September 2014, Chongqing Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Chongqing Resources Group's properties amounting to approximately RMB291,258,000 and RMB297,044,000, respectively. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Chongqing Resources Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Chongqing Resources Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and Chongqing Resources Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Chongqing Resources Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of Chongqing Resources consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 31 December 2013 and 30 September 2014, respectively.

24. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Chongqing Resources Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to four years.

At the end of each of the Relevant Periods, Chongqing Resources Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	151	1,103	1,507
In the second to fifth years, inclusive	–	–	4,306	5,199
	–	151	5,409	6,706

Chongqing Resources had no lease commitments as at the end of each of the Relevant Periods.

25. COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, Chongqing Resources Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	–	589,250	637,504	725,401

Chongqing Resources had no commitment as at the end of each of the Relevant Periods.

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in this Financial Information, Chongqing Resources Group had the following material transactions with a related company during the Relevant Periods and the nine months ended 30 September 2013:

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Licensee fee to PKU Resources Group	*(i)*	–	–	7,361	18	1,329
Licensee fee to PKU Resources Holdings	*(i)*	–	–	–	–	3,261
Interest expenses paid or payable (before interest capitalisation) to PKU Resources Group	*(ii)*	–	47,860	56,106	41,834	154,416

Notes:

(i) Licensee fee was charged in accordance with 1% of property pre-sales revenue of the respective properties.

(ii) The interest expenses were paid at an interest rate ranging from 10.0% to 15.0% per annum.

(b) Outstanding balances with related parties:

Details of Chongqing Resources Group's balances with related companies as at 31 December 2011, 2012 and 2013 and 30 September 2014 are disclosed in notes 16 and 21 to the Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	–	15,512	1,202,724	99,531
Due from related companies	20,000	68,800	100,000	1,774,288
Restricted bank balances	–	10,011	7,137	60,105
Pledged deposits	–	–	355,000	–
Cash and cash equivalents	115	6,382	240,987	46,666
	20,115	100,705	1,905,848	1,980,590

Chongqing Resources

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in deposits and other receivables	–	10,000	1,150,494	–
Due from related companies	20,000	68,800	100,000	1,043,075
Due from a subsidiary	–	–	–	45,000
Cash and cash equivalents	115	86	136	1,469
	20,115	78,886	1,250,630	1,089,544

Financial liabilities – Financial liabilities at amortised cost

Chongqing Resources Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	564,208	282,134	133,954
Financial liabilities included in other payables and accruals	4	3,259	50,899	60,429
Due to related companies	200	48,029	1,187,293	1,227,791
Interest-bearing bank and other borrowings	–	616,981	1,280,682	2,574,157
	204	1,232,477	2,801,008	3,996,331

Chongqing Resources

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	4	7	9	7
Due to related companies	200	169	1,181,542	1,181,598
Due to a subsidiary	–	–	–	515
	204	176	1,181,551	1,182,120

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Chongqing Resources Group's and Chongqing Resources's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Chongqing Resources Group and Chongqing Resources did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Chongqing Resources Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for Chongqing Resources Group's operations. Chongqing Resources Group has various other financial assets and liabilities such as trade payables and balances with related companies, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Chongqing Resources Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Chongqing Resources Group's financial instruments are credit risk and liquidity risk. The directors of Chongqing Resources review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of Chongqing Resources Group's financial assets, which comprise cash and bank balances, deposits, other receivables and amounts due from related companies arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Chongqing Resources Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Chongqing Resources Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Chongqing Resources Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Chongqing Resources Group

	Within one year or on demand	More than one year but less than two years	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2011			
Financial liabilities included in other payables and accruals	4	–	4
Due to related companies	200	–	200
	204	–	204
31 December 2012			
Trade payables	564,208	–	564,208
Financial liabilities included in other payables and accruals	3,259	–	3,259
Due to related companies	48,029	–	48,029
Interest-bearing bank and other borrowings	85,797	624,925	710,722
	701,293	624,925	1,326,218
31 December 2013			
Trade payables	282,134	–	282,134
Financial liabilities included in other payables and accruals	50,899	–	50,899
Due to related companies	1,187,293	–	1,187,293
Interest-bearing bank and other borrowings	606,461	854,984	1,461,445
	2,126,787	854,984	2,981,771
30 September 2014			
Trade payables	133,954	–	133,954
Financial liabilities included in other payables and accruals	60,429	–	60,429
Due to related companies	1,227,791	–	1,227,791
Interest-bearing bank and other borrowings	1,940,999	831,000	2,771,999
	3,363,173	831,000	4,194,173

The maturity profile of Chongqing Resources's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Chongqing Resources

	Within one year or on demand			
				As at
	As at 31 December			**30 September**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	4	7	9	7
Due to related companies	200	169	1,181,542	1,181,598
Due to a subsidiary	–	–	–	515
	204	176	1,181,551	1,182,120

Capital management

The primary objective of Chongqing Resources Group's capital management is to safeguard Chongqing Resources Group's ability to continue as a going concern.

Chongqing Resources Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Chongqing Resources Group is not subject to any externally imposed capital requirements.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Chongqing Resources Group or its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*) ("Chengdu Resources") and its subsidiaries (hereinafter collectively referred to as "Chengdu Resources Group") which comprise the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Chengdu Resources Group for the period from 6 August 2012 (date of incorporation of Chengdu Resources's subsidiary now comprising Chengdu Resources Group) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Chengdu Resources Group and the statements of financial position of Chengdu Resources as at 31 December 2012 and 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Chengdu Resources Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in Chengdu Resources, 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*), 重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*), 青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*), Extol High Enterprises Limited and Keen Delight Global Limited.

Chengdu Resources was established in the People's Republic of China (the "PRC") on 23 October 2012. As at the end of the Relevant Periods, Chengdu Resources has direct interest in the subsidiary as set out in note 1 of Section II below. Both companies comprising Chengdu Resources Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Chengdu Resources Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Chengdu Resources (the "Directors") have prepared the consolidated financial statements of Chengdu Resources Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for the period from 6 August 2012 (date of incorporation of Chengdu Resources's subsidiary now comprising Chengdu Resources Group) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Chengdu Resources Group and Chengdu Resources as at 31 December 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Chengdu Resources Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income	*5*	8	26	4	88
Selling and marketing expenses		(397)	(11,264)	(8,068)	(2,644)
Administrative expenses		(2,031)	(11,970)	(9,055)	(5,450)
Finance costs	*7*	(2,806)	(4,255)	(3,191)	–
Share of loss of an associate		–	(1,511)	(594)	(3,239)
LOSS BEFORE TAX	*6*	(5,226)	(28,974)	(20,904)	(11,245)
Income tax expense	*9*	–	–	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(5,226)	(28,974)	(20,904)	(11,245)
Attributable to:					
Owners of the parent		(3,666)	(20,785)	(14,820)	(8,886)
Non-controlling interests		(1,560)	(8,189)	(6,084)	(2,359)
		(5,226)	(28,974)	(20,904)	(11,245)

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	2,688	7,483	5,637
Other intangible assets	*12*	–	95	77
Investment in an associate	*14*	–	3,239	–
Total non-current assets		2,688	10,817	5,714
CURRENT ASSETS				
Properties under development	*15*	167,618	294,620	413,632
Prepayments, deposits and other receivables	*16*	37,469	39,587	39,196
Due from related companies	*17*	49,800	24,342	191,170
Tax recoverable		–	692	889
Cash and bank balances	*18*	3,866	5,157	1,802
Total current assets		258,753	364,398	646,689
CURRENT LIABILITIES				
Trade payables	*19*	13	25,968	29,926
Other payables and accruals	*20*	1,659	18,349	24,870
Due to related companies	*17*	8,370	5,777	726
Interest-bearing other borrowings	*21*	–	300,214	583,129
Tax payable		–	107	197
Total current liabilities		10,042	350,415	638,848
NET CURRENT ASSETS		248,711	13,983	7,841
TOTAL ASSETS LESS CURRENT LIABILITIES		251,399	24,800	13,555
NON-CURRENT LIABILITIES				
Interest-bearing other borrowings	*21*	176,625	–	–
Total non-current liabilities		176,625	–	–
Net assets		74,774	24,800	13,555
EQUITY				
Equity attributable to owners of the parent				
Issued capital	*22*	50,000	50,000	50,000
Reserves		17,334	(24,451)	(33,337)
		67,334	25,549	16,663
Non-controlling interests		7,440	(749)	(3,108)
Total equity		74,774	24,800	13,555

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent					
	Note	**Issued capital**	**Merger reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 6 August 2012		–	–	–	–	–	–
Issue of shares on incorporation	22	50,000	–	–	50,000	–	50,000
Increase in capital of a subsidiary under common control		–	21,000	–	21,000	9,000	30,000
Loss and total comprehensive loss for the period		–	–	(3,666)	(3,666)	(1,560)	(5,226)
At 31 December 2012 and 1 January 2013		50,000	21,000*	(3,666)*	67,334	7,440	74,774
Acquisition of a subsidiary under common control		–	(21,000)	–	(21,000)	–	(21,000)
Loss and total comprehensive loss for the year		–	–	(20,785)	(20,785)	(8,189)	(28,974)
At 31 December 2013 and 1 January 2014		50,000	–*	(24,451)*	25,549	(749)	24,800
Loss and total comprehensive loss for the period		–	–	(8,886)	(8,886)	(2,359)	(11,245)
At 30 September 2014		50,000	–*	(33,337)*	16,663	(3,108)	13,555
At 1 January 2013		50,000	21,000	(3,666)	67,334	7,440	74,774
Loss and total comprehensive loss for the period *(unaudited)*		–	–	(14,820)	(14,820)	(6,084)	(20,904)
At 30 September 2013 *(unaudited)*		50,000	21,000	(18,486)	52,514	1,356	53,870

* These reserve accounts comprise the consolidated reserve of RMB17,334,000, RMB24,451,000 (deficit), and RMB33,337,000 (deficit) in the consolidated statements of financial position as at 31 December 2012 and 2013 and 30 September 2014, respectively.

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Ninie months ended 30 September 2013	2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(5,226)	(28,974)	(20,904)	(11,245)
Adjustments for:					
Finance costs		2,806	4,255	3,191	–
Interest income	5	(8)	(2)	(2)	(2)
Share of loss of an associate		–	1,511	594	3,239
Depreciation	6	73	1,425	745	2,058
Amortisation of intangible assets	6	–	4	14	18
		(2,355)	(21,781)	(16,362)	(5,932)
Increase in properties under development		(162,054)	(103,331)	(62,297)	(50,892)
(Increase)/decrease in prepayments, deposits and other receivables		(37,469)	(2,118)	(6,420)	453
(Increase)/decrease in amounts due from related companies		(49,800)	25,458	25,520	(166,890)
Increase/(decrease) in trade payables		13	25,955	1,224	(25,050)
Increase in other payables and accruals		1,659	16,797	11,465	6,521
Increase/(decrease) in amounts due to related companies		8,370	(2,593)	(5,037)	(7,731)
Cash used in operations		(241,636)	(61,613)	(51,907)	(249,521)
Interest received		8	2	2	2
Interest paid		(8,370)	(27,926)	(3,191)	(36,432)
Land appreciation tax paid		–	(692)	(70)	(107)
Net cash flows used in operating activities		(249,998)	(90,229)	(55,166)	(286,058)

	Notes	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Ninie months ended 30 September 2013	2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	11	(2,761)	(6,220)	(2,955)	(212)
Additions to other intangible assets		–	(99)	(90)	–
Investment in a subsidiary under common control		–	(21,000)	(21,000)	–
Investment in an associate		–	(4,750)	(4,750)	–
Net cash flows used in investing activities		(2,761)	(32,069)	(28,795)	(212)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	22	50,000	–	–	–
New other loans		176,625	420,089	127,829	284,796
Repayment of other loans		–	(296,500)	(44,000)	(1,881)
Contribution from a then shareholder of a subsidiary		21,000	–	–	–
Contribution from a non-controlling shareholder of a subsidiary		9,000	–	–	–
Net cash flows from financing activities		256,625	123,589	83,829	282,915
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		3,866	1,291	(132)	(3,355)
Cash and cash equivalents at beginning of year/period		–	3,866	3,866	5,157

	Notes	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Ninie months ended 30 September 2013	2014
				2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		3,866	5,157	3,734	1,802
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	*18*	3,866	5,157	3,734	1,802

(e) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
NON-CURRENT ASSETS				
Investment in a subsidiary	*13*	–	21,000	21,000
Investment in an associate	*14*	–	4,750	4,750
Total non-current assets		–	25,750	25,750
CURRENT ASSETS				
Due from related companies	*17*	49,800	24,058	24,058
Cash and bank balances	*18*	173	111	6
Total current assets		49,973	24,169	24,064
CURRENT LIABILITIES				
Other payables and accruals	*20*	–	87	37
Due to a subsidiary	*13*	–	24	114
Total current liabilities		–	111	151
NET CURRENT ASSETS		49,973	24,058	23,913
Net assets		49,973	49,808	49,663
EQUITY				
Issued capital	*22*	50,000	50,000	50,000
Accumulated losses		(27)	(192)	(337)
Total equity		49,973	49,808	49,663

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

Chengdu Resources (note (a)) is a limited liability company registered in the PRC on 23 October 2012. The registered office of Chengdu Resources is located at 5th Floor, No.2 Building, No.66 Tianfu forth Avenue, Gaoxin District, Chengdu, Sichuan, the PRC.

The principal activity of Chengdu Resources Group was property development (the "Relevant Business") during the Relevant Periods and the nine months ended 30 September 2013.

Chengdu Resources's immediate holding company is 北大資源集團地產有限公司 (Peking University Resources Group Property Co., Limited*) ("PKU Property"). In the opinion of the directors of Chengdu Resources, Chengdu Resources's ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the PRC.

Prior to the establishment of Chengdu Resources, the Relevant Business was carried out by a subsidiary now comprising Chengdu Resources Group, which was controlled by PKU Property.

In order to rationalise the current corporate structure of Chengdu Resources Group, the following principal reorganisation steps were undertaken to establish Chengdu Resources Group (the "Reorganisation"):

1) 新津北創房地產開發有限公司 (Xinjin Beichuang Property Development Co., Limited*) ("Xinjin Beichuang") was established as a limited liability company in the PRC on 6 August 2012. PKU Property and an independent third party owned 70% and 30% of share capital of Xinjin Beichuang, respectively.

2) On 6 January 2013, Chengdu Resources acquired 70% equity interest in Xinjin Beichuang from PKU Property at a cash consideration of RMB21,000,000.

The Reorganisation was completed on 6 January 2013.

Particulars of the subsidiary of Chengdu Resources as at 30 September 2014 are set out below:

Name	Place and date of registration and place of business	Nominal value of registered/ paid-up share capital	Percentage of equity interest directly attributable to Chengdu Resources	Principal activity
Xinjin Beichuang *(note (b))*	PRC/Mainland China 6 August 2012	RMB30,000,000	70%	Property development

Notes:

(a) The statutory financial statements of Chengdu Resources for the year ended 31 December 2013 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by 四川華為會計師事務所有限公司 (SiChuan Huawei Certified Public Accountants Co., Ltd.*) ("Sichuan Huawei CPA"), certified public accountants registered in the PRC.

(b) The statutory financial statements of Xinjin Beichuang for the period from 6 August 2012 to 31 December 2012 and year ended 31 December 2013 prepared under PRC GAAP were audited by Sichuan Huawei CPA, certified public accountants registered in the PRC.

** For identification purpose only*

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, Chengdu Resources became the holding company of the companies now comprising Chengdu Resources Group on 6 January 2013. The companies now comprising Chengdu Resources Group were under the common control of PKU Property before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods and the nine months ended 30 September 2013.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Chengdu Resources Group for the Relevant Periods include the results and cash flows of all companies now comprising Chengdu Resources Group from the earliest date presented or since the date when the Relevant Business first came under the common control of PKU Property, where this is a shorter period. The combined statement of financial position of Chengdu Resources Group as at 31 December 2012 has been prepared to present the assets and liabilities of the Relevant Business using the existing book values from PKU Property's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than PKU Property, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

The Financial Information incorporates the financial statements of Chengdu Resources Group for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as Chengdu Resources, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which Chengdu Resources Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of Chengdu Resources Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Chengdu Resources Group are eliminated in full on combination / consolidation.

Chengdu Resources Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Chengdu Resources Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Chengdu Resources Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Chengdu Resources Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Chengdu Resources Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Chengdu Resources Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting For Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Chengdu Resources Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Chengdu Resources Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Chengdu Resources. Control is achieved when Chengdu Resources Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Chengdu Resources Group the current ability to direct the relevant activities of the investee).

When Chengdu Resources has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Chengdu Resources Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Chengdu Resources Group's voting rights and potential voting rights.

The results of the subsidiary are included in Chengdu Resources's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. Chengdu Resources's investment in subsidiary that is not classified as held for sale in accordance with HKFRS 5 is stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which Chengdu Resources Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Chengdu Resources Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at Chengdu Resources Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Chengdu Resources Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in Chengdu Resources Group's consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between Chengdu Resources Group and its associates or joint ventures are eliminated to the extent of the Chengdu Resources Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Chengdu Resources Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, Chengdu Resources Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in Chengdu Resources's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. Chengdu Resources's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Chengdu Resources Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Chengdu Resources Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Chengdu Resources Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Chengdu Resources Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Chengdu Resources Group;

(ii) has significant influence over Chengdu Resources Group; or

(iii) is a member of the key management personnel of Group or of a parent of Chengdu Resources Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Chengdu Resources Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Chengdu Resources Group 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 Chengdu Resources Group or an entity related to Chengdu Resources Group;

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Chengdu Resources Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of four years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Chengdu Resources Group is the lessor, assets leased by Chengdu Resources Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where Chengdu Resources Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Chengdu Resources Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statements of profit or loss and other comprehensive income. The loss arising from impairment is recognised in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Chengdu Resources Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Chengdu Resources Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Chengdu Resources Group has transferred substantially all the risks and rewards of the asset, or (b) Chengdu Resources Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Chengdu Resources Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Chengdu Resources Group continues to recognise to the transferred asset to the extent of Chengdu Resources Group's continuing involvement. In that case, Chengdu Resources Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Chengdu Resources Group has retained.

Impairment of financial assets

Chengdu Resources Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Chengdu Resources Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Chengdu Resources Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Chengdu Resources Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Chengdu Resources Group's financial liabilities include trade payables, other payables and accruals, amounts due to related companies and interest-bearing other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by Chengdu Resources Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Chengdu Resources Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Chengdu Resources Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Chengdu Resources Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Chengdu Resources Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of Chengdu Resources Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in RMB, which is Chengdu Resources's functional and presentation currency. Each entity in Chengdu Resources Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Chengdu Resources Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of Chengdu Resources Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Chengdu Resources Group based on management's best estimates. When developing properties, Chengdu Resources Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the costs of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 9 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, Chengdu Resources Group has a single operating and reportable segment, which is property development in Mainland China. All of Chengdu Resources Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, all of Chengdu Resources Group's non-current assets were located in Mainland China.

5. OTHER INCOME

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Bank interest income	8	2	2	2
Others	–	24	2	86
	8	26	4	88

6. LOSS BEFORE TAX

Chengdu Resources Group's loss before tax is arrived at after charging:

	Notes	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation	*11*	73	1,425	745	2,058
Amortisation of intangible assets	*12*	–	4	14	18
Minimum lease payments under operating leases of land and buildings		63	2,524	1,648	1,461
Auditors' remuneration		19	6	6	–
Employee benefit expense:					
Wages and salaries		981	5,717	4,261	1,135
Pension scheme contributions*		21	152	102	58
		1,002	5,869	4,363	1,193

* As at 31 December 2012, 2013 and 30 September 2014, Chengdu Resources Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Chengdu Resources Group's finance costs is as follows:

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group"), an intermediate holding company of Chengdu Resources	4,780	19,691	13,568	16,306
Interest on loans from PKU Property	3,590	8,235	6,159	6,233
Interest on entrusted loan from a third party	–	–	–	15,847
Total interest expense	8,370	27,926	19,727	38,386
Less: Interest capitalised	(5,564)	(23,671)	(16,536)	(38,386)
	2,806	4,255	3,191	–

* *For identification purpose only*

8. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods and the nine months ended 30 September 2013 is as follows:

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	–	703	684	266
Pension scheme contributions	–	13	13	5
	–	716	697	271
	–	716	697	271

9. INCOME TAX

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China, based on the existing legislation, interpretations and practices in respect thereof. No PRC corporate income tax has been provided because Chengdu Resources Group did not have any assessable profits arising in Mainland China during the Relevant Periods and the nine months ended 30 September 2013.

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the jurisdiction in which Chengdu Resources and its subsidiary are domiciled to the tax expense at the effective tax rate is as follows:

Chengdu Resources Group

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loss before tax	(5,226)	(28,974)	(20,904)	(11,245)
Tax at statutory tax rate of 25%	(1,307)	(7,243)	(5,226)	(2,811)
Loss attributable to an associate	–	377	148	810
Expenses not deductible for tax	252	1,655	1,251	564
Tax losses not recognised	1,055	5,211	3,827	1,437
Tax position at the effective rate	–	–	–	–

Deferred tax assets have not been recognised in respect of the following item:

Chengdu Resources Group

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	4,220	25,064	30,812

Chengdu Resources

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	27	105	305

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by Chengdu Resources to its shareholder.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Chengdu Resources Group

	Leasehold improvements	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 6 August 2012, net of accumulated depreciation	–	–	–	–
Additions	407	694	1,660	2,761
Depreciation provided during the period	–	(6)	(67)	(73)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	407	688	1,593	2,688
Additions	1,937	1,926	2,357	6,220
Depreciation provided during the year	(305)	(335)	(785)	(1,425)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	2,039	2,279	3,165	7,483
Additions	212	–	–	212
Depreciation provided during the period	(881)	(461)	(716)	(2,058)
At 30 September 2014, net of accumulated depreciation	1,370	1,818	2,449	5,637
At 31 December 2012:				
Cost	407	694	1,660	2,761
Accumulated depreciation	–	(6)	(67)	(73)
Net carrying amount	407	688	1,593	2,688
At 31 December 2013:				
Cost	2,344	2,620	4,017	8,981
Accumulated depreciation	(305)	(341)	(852)	(1,498)
Net carrying amount	2,039	2,279	3,165	7,483
At 30 September 2014:				
Cost	2,556	2,620	4,017	9,193
Accumulated depreciation	(1,186)	(802)	(1,568)	(3,556)
Net carrying amount	1,370	1,818	2,449	5,637

12. OTHER INTANGIBLE ASSETS

Chengdu Resources Group

	Computer software *RMB'000*
At 6 August 2012, 31 December 2012 and 1 January 2013, net of accumulated amortisation	–
Addition	99
Amortisation provided during the year	(4)
At 31 December 2013 and 1 January 2014	95
Amortisation provided during the period	(18)
At 30 September 2014	77
At 31 December 2013:	
Cost	99
Accumulated amortisation	(4)
Net carrying amount	95
At 30 September 2014:	
Cost	99
Accumulated amortisation	(22)
Net carrying amount	77

13. INVESTMENT IN A SUBSIDIARY

Chengdu Resources

	As at 31 December		**As at 30 September**
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	21,000	21,000

The amounts due to a subsidiary included in the current liabilities of Chengdu Resources's statement of financial position of approximately RMB24,000 and RMB114,000 as at 31 December 2013 and 30 September 2014, respectively, were unsecured, interest-free and were repayable on demand or within one year.

Particulars of Chengdu Resources's subsidiary as at 30 September 2014 are set out in note 1 of this section.

Details of Chengdu Resources's subsidiary that has material non-controlling interests are set out below:

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
			(Unaudited)	
Percentage of equity interest held by non-controlling interests:				
Xinjin Beichuang	30%	30%	30%	30%

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss for the year/period allocated to non-controlling interests:				
Xinjin Beichuang	(1,560)	(8,189)	(6,084)	(2,359)

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Accumulated balances of non-controlling interests at the end of each of the Relevant Periods			
Xinjin Beichuang	7,440	(749)	(3,108)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Xinjin Beichuang

	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Total revenue	–	–	–	–
Total expenses	(5,199)	(27,298)	(20,279)	(7,862)
Loss and total comprehensive loss for the year/period	(5,199)	(27,298)	(20,279)	(7,862)

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Current assets	208,780	340,252	622,739
Non-current assets	2,688	7,578	5,714
Current liabilities	(10,042)	(350,327)	(638,811)
Non-current liabilities	(176,625)	–	–

	Period from 6 August 2012 to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Net cash flows (used in)/from operating activities	(23,545)	(242,619)	4,872	(285,954)
Net cash flows used in investing activities	(2,762)	(8,528)	(4,991)	(212)
Net cash flows from financing activities	30,000	252,500	–	282,915
Net increase/(decrease) in cash and cash equivalents	3,693	1,353	(119)	(3,251)

14. INVESTMENT IN AN ASSOCIATE

Chengdu Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	–	3,239	–

Chengdu Resources

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	4,750	4,750

Chengdu Resources Group's balance with an associate is disclosed in note 17 to the Financial Information.

Particulars of Chengdu Resources Group's associate are as follows:

Name	Registered and paid-in capital	Place of registration and business	Percentage of ownership interest attributable to Chengdu Resources Group	Principal activity
成都立輝地產有限公司 (Chengdu Lihui Property Co., Limited*) ("Chengdu Lihui")#	RMB25,000,000	PRC/Mainland China	19%	Property development

Not audited by Ernst & Young, Hong Kong, or another member firm of the Ernst & Young global network.

Chengdu Resources Group's shareholding in the associate is directly held by Chengdu Resources.

Chengdu Resources Group's associate is not individually material to the Group.

** For identification purpose only*

15. PROPERTIES UNDER DEVELOPMENT

Chengdu Resources Group

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	167,618	294,620	413,632

Chengdu Resources Group's properties under development are located in Mainland China and held under long term lease.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Chengdu Resources Group

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Prepayments	37,188	38,352	38,286
Deposits and other receivables	281	1,235	910
	37,469	39,587	39,196

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. BALANCES WITH RELATED COMPANIES

	Chengdu Resources Group			Chengdu Resources		
	As at 31 December		As at 30 September	As at 31 December		As at 30 September
	2012	2013	2014	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)						
PKU Property	–	24,058	24,058	–	24,058	24,058
PKU Resources Group	49,800	–	164,803	49,800	–	–
Chengdu Lihui	–	284	1,040	–	–	–
貴陽恒隆置業有限公司 (Guiyang Henglong Property Co., Limited*), a fellow subsidiary of Chengdu Resources	–	–	1,170	–	–	–
北京北大資源物業經營管理集團有限公司 (Beijing Peking University Resource Property Management Group Co., Ltd.,*) ("Resource Property Management"), a fellow subsidiary of Chengdu Resources	–	–	99	–	–	–
	49,800	24,342	191,170	49,800	24,058	24,058
PKU Property	(3,590)	(2,553)	–	–	–	–
PKU Resources Group	(4,780)	(3,224)	(726)	–	–	–
	(8,370)	(5,777)	(726)	–	–	–

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

** For identification purpose only*

18. CASH AND BANK BALANCES

	Chengdu Resources Group			Chengdu Resources		
	As at 31 December		As at 30 September	As at 31 December		As at 30 September
	2012	2013	2014	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	3,866	5,157	1,802	173	111	6

The cash and bank balances of Chengdu Resources Group are all denominated in RMB at the end of each of the relevant period. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Chengdu Resources Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Chengdu Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	13	25,968	29,224
One to two years	–	–	702
	13	25,968	29,926

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

20. OTHER PAYABLES AND ACCRUALS

	Chengdu Resources Group			Chengdu Resources		
	As at 31 December		As at 30 September	As at 31 December		As at 30 September
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	–	11,250	17,224	–	–	–
Other payables and accruals	1,659	7,099	7,646	–	87	37
	1,659	18,349	24,870	–	87	37

Other payables are non-interest-bearing and have an average term of three months to one year.

21. INTEREST-BEARING OTHER BORROWINGS

Chengdu Resources Group

	As at 31 December						As at 30 September		
	2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Other loans – unsecured*	–	–	–	11.5	2014	229,585	11.5	2014	252,500
Other loans – unsecured**	–	–	–	11.5	2014	70,629	12.0	2015	70,629
Other loans – unsecured***	–	–	–	–	–	–	10.6	2015	260,000
			–			300,214			583,129
Non-current									
Other loans – unsecured*	15.0	2014	105,996	–	–	–	–	–	–
Other loans – unsecured**	15.0	2014	70,629	–	–	–	–	–	–
			176,625			–			–
			176,625			300,214			583,129

* The balances represent amounts due to PKU Resources Group.

** The balances represent amounts due to PKU Property.

*** The balance represents entrusted loan from a third party.

Chengdu Resources Group

	As at 31 December 2012 *RMB'000*	2013 *RMB'000*	As at 30 September 2014 *RMB'000*
Analysed into:			
Other borrowings repayable:			
Within one year	–	300,214	583,129
In the second year	176,625	–	–
	176,625	300,214	583,129

As at 31 December 2013 and 30 September 2014, certain of Chengdu Resources Group's other loans were guaranteed by 北大方正集團有限公司 (Peking University Founder Group Co., Ltd.#), a fellow subsidiary of Chengdu Resources.

For identification purpose only

22. ISSUED CAPITAL

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-up capital	50,000	50,000	50,000

During the Relevant Periods, the movement in share capital was as follows:

On 23 October 2012 (date of incorporation of Chengdu Resources), share capital of RMB50,000,000 was paid up.

A summary of the transaction during the Relevant Periods with reference to the above movement in Chengdu Resources's issued capital is as follows:

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid			
At beginning of the year/period	–	50,000	50,000
Issue of shares	50,000	–	–
At end of the year/period	50,000	50,000	50,000

23. CONTINGENT LIABILITIES

As at 31 December 2013 and 30 September 2014, Chengdu Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Chengdu Resources Group's properties amounting to approximately RMB450,000 and RMB1,383,000, respectively. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Chengdu Resources Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Chengdu Resources Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and Chengdu Resources Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Chengdu Resources Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of Chengdu Resources consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 31 December 2013 and 30 September 2014.

24. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Chengdu Resources Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, Chengdu Resources Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,392	3,039	30
In the second to fifth years, inclusive	5,824	2,785	–
	8,216	5,824	30

Chengdu Resources had no lease commitments as at the end of each of the Relevant Periods.

25. COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, Chengdu Resources Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties under development	10,579	174,736	78,749

Chengdu Resources had no commitment as at the end of each of the Relevant Periods.

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in this Financial Information, Chengdu Resources Group had the following material transactions with a related party during the Relevant Periods and the nine months ended 30 September 2013:

	Notes	Period from 6 August 2012 to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Licensee fee to PKU Resources Group	*(i)*	–	110	–	76
Interest expenses paid or payable (before interest capitalisation) to PKU Resources Group	*(ii)*	4,780	19,691	13,568	16,306
Interest expenses paid or payable (before interest capitalisation) to PKU Property	*(ii)*	3,590	8,235	6,159	6,233
Property service fee to Resource Property Management	*(iii)*	–	1,029	719	776

Notes:

(i) Licensee fee was charged in accordance with 1% of property pre-sales revenue of the respective properties.

(ii) The interest expenses were paid at an interest rate of ranging from 11.5% to 15% per annum.

(iii) The property service fee was determined at a monthly payment agreed between Chengdu Resources Group and Resource Property Management.

(b) Outstanding balances with related parties:

Details of Chengdu Resources Group's balances with related companies as at 31 December 2012, 2013 and 30 September 2014 are disclosed in notes 17 and 21 to the Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Chengdu Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	281	1,235	910
Due from related companies	49,800	24,342	191,170
Cash and bank balances	3,866	5,157	1,802
	53,947	30,734	193,882

Chengdu Resources

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Due from related companies	49,800	24,058	24,058
Cash and bank balances	173	111	6
	49,973	24,169	24,064

Financial liabilities – Financial liabilities at amortised cost

Chengdu Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	13	25,968	29,926
Financial liabilities included in other payables and accruals	1,659	7,099	7,646
Due to related companies	8,370	5,777	726
Interest-bearing other borrowings	176,625	300,214	583,129
	186,667	339,058	621,427

Chengdu Resources

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	–	87	37
Due to a subsidiary	–	24	114
	–	111	151

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Chengdu Resources Group's and Chengdu Resources's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Chengdu Resources Group and Chengdu Resources did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Chengdu Resources Group's principal financial instruments comprise interest-bearing other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for Chengdu Resources Group's operations. Chengdu Resources Group has various other financial assets and liabilities such as trade payables and balances with related parties, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Chengdu Resources Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Chengdu Resources Group's financial instruments are credit risk and liquidity risk. The directors of Chengdu Resources review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of Chengdu Resources Group's financial assets, which comprise cash and bank balances, deposits, other receivables and amounts due from related parties from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Chengdu Resources Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Chengdu Resources Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Chengdu Resources Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Chengdu Resources Group

	Within 1 year or on demand *RMB'000*	**More than one year but less than two years** *RMB'000*	**Total** *RMB'000*
31 December 2012			
Trade payables	13	–	13
Financial liabilities included in other payables and accruals	1,659	–	1,659
Due to related companies	8,370	–	8,370
Interest-bearing other borrowings	13,247	203,082	216,329
	23,289	203,082	226,371
31 December 2013			
Trade payables	25,968	–	25,968
Financial liabilities included in other payables and accruals	7,099	–	7,099
Due to related companies	5,777	–	5,777
Interest-bearing other borrowings	326,419	–	326,419
	365,263	–	365,263
30 September 2014			
Trade payables	29,224	702	29,926
Financial liabilities included in other payables and accruals	7,646	–	7,646
Due to related companies	726	–	726
Interest-bearing other borrowings	619,178	–	619,178
	656,774	702	657,476

The maturity profile of Chengdu Resources's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Chengdu Resources

	Within one year or on demand		
	As at 31 December 2012	**As at 31 December 2013**	**As at 30 September 2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	–	87	37
Due to a subsidiary	–	24	114
	–	111	151

Capital management

The primary objective of Chengdu Resources Group's capital management is to safeguard Chengdu Resources Group's ability to continue as a going concern.

Chengdu Resources Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Chengdu Resources Group is not subject to any externally imposed capital requirements.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Chengdu Resources Group or its subsidiary in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*) ("Guiyang Resources") and its subsidiaries (hereinafter collectively referred to as "Guiyang Resources Group") which comprise the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Guiyang Resources Group for the period from 22 August 2012 (date of incorporation) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Guiyang Resources Group and the statements of financial position of Guiyang Resources as at 31 December 2012 and 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Guiyang Resources Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in Guiyang Resources, 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 重慶北大資源地產有限公司(Chongqing Peking University Resources Property Co., Limited*), 青島北大資源地產有限公司 (Qingdao Peking University Resources Co., Limited*), Extol High Enterprises Limited and Keen Delight Global Limited.

Guiyang Resources was established in the People's Republic of China (the "PRC") on 22 August 2012. As at the end of the Relevant Periods, Guiyang Resources has direct interest in the subsidiary as set out in note 1 of Section II below. Both companies comprising Guiyang Resources Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Guiyang Resources Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Guiyang Resources (the "Directors") have prepared the consolidated financial statements of Guiyang Resources Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong

Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for the period from 22 August 2012 (date of incorporation) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Guiyang Resources Group and Guiyang Resources as at 31 December 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Guiyang Resources Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Other income	*5*	33	235	37	4,224
Selling and marketing expenses		(102)	(30,495)	(8,139)	(39,996)
Administrative expenses		(2,353)	(24,711)	(10,662)	(13,785)
Finance costs	*7*	–	(3,342)	(3,342)	–
LOSS BEFORE TAX	*6*	(2,422)	(58,313)	(22,106)	(49,557)
Income tax expense	*9*	–	–	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(2,422)	(58,313)	(22,106)	(49,557)
Attributable to:					
Owners of the parent		(1,695)	(40,828)	(15,483)	(34,690)
Non-controlling interests		(727)	(17,485)	(6,623)	(14,867)
		(2,422)	(58,313)	(22,106)	(49,557)

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	3,266	6,133	6,176
Total non-current assets		3,266	6,133	6,176
CURRENT ASSETS				
Properties under development	*13*	–	770,826	1,267,245
Prepayments, deposits and other receivables	*14*	89,597	267,167	205,171
Due from related companies	*15*	14,986	14,986	614,715
Tax recoverable		–	25,943	80,029
Restricted cash	*16*	–	185,625	730,900
Cash and bank balances	*16*	3,094	166,971	310,227
Total current assets		107,677	1,431,518	3,208,287
CURRENT LIABILITIES				
Trade payables	*17*	–	27,353	128,242
Other payables and accruals	*18*	1,739	571,644	1,596,804
Due to related companies	*15*	–	21,892	5,779
Interest-bearing other borrowings	*19*	–	786,554	1,296,800
Tax payable		–	25,943	32,130
Total current liabilities		1,739	1,433,386	3,059,755
NET CURRENT ASSETS/ (LIABILITIES)		105,938	(1,868)	148,532
TOTAL ASSETS LESS CURRENT LIABILITIES		109,204	4,265	154,708
NON-CURRENT LIABILITIES				
Interest-bearing other borrowings	*19*	46,626	–	200,000
Total non-current liabilities		46,626	–	200,000
Net assets/(liabilities)		62,578	4,265	(45,292)
EQUITY/(DEFICIENCY IN ASSETS)				
Equity attributable to owners of the parent				
Issued capital	*20*	50,000	50,000	50,000
Accumulated losses		(1,695)	(42,523)	(77,213)
		48,305	7,477	(27,213)
Non-controlling interests		14,273	(3,212)	(18,079)
Total equity/(deficiency in assets)		62,578	4,265	(45,292)

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent				
	Note	**Issued capital**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity/ (deficiency in assets)**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 22 August 2012 (date of incorporation)		–	–	–	–	–
Issue of shares on incorporation	*20*	50,000	–	50,000	–	50,000
Contribution from a non-controlling shareholder		–	–	–	15,000	15,000
Loss and total comprehensive loss for the period		–	(1,695)	(1,695)	(727)	(2,422)
At 31 December 2012 and 1 January 2013		50,000	(1,695)	48,305	14,273	62,578
Loss and total comprehensive loss for the year		–	(40,828)	(40,828)	(17,485)	(58,313)
At 31 December 2013 and 1 January 2014		50,000	(42,523)	7,477	(3,212)	4,265
Loss and total comprehensive loss for the period		–	(34,690)	(34,690)	(14,867)	(49,557)
At 30 September 2014		50,000	(77,213)	(27,213)	(18,079)	(45,292)
At 1 January 2013		50,000	(1,695)	48,305	14,273	62,578
Loss and total comprehensive loss for the period (unaudited)		–	(15,483)	(15,483)	(6,623)	(22,106)
At 30 September 2013 (unaudited)		50,000	(17,178)	32,822	7,650	40,472

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(2,422)	(58,313)	(22,106)	(49,557)
Adjustments for:					
Interest income	*5*	(33)	(235)	(37)	(4,224)
Depreciation	*6*	25	1,042	710	1,169
		(2,430)	(57,506)	(21,433)	(52,612)
Increase in properties under development		–	(688,923)	(623,094)	(280,893)
Decrease/(increase) in prepayments, deposits and other receivables		(89,597)	(146,901)	(127,132)	77,864
Increase in amounts due from related companies		(14,986)	–	–	(601,832)
Increase/(decrease) in trade payables		–	3,811	–	(9,318)
Increase in other payables and accruals		475	540,600	1,190	1,017,487
Increase/(decrease) in amounts due to related companies		–	19,497	834,774	(16,113)
Cash generated from/(used in) operations		(106,538)	(329,422)	64,305	134,583
Interest received		33	235	37	4,224
Interest paid		–	(56,066)	(11,918)	(111,391)
Land appreciation tax paid		–	–	–	(37,572)
PRC corporate income tax paid		–	–	–	(10,327)
Net cash flows from/(used in) operating activities		(106,505)	(385,253)	52,424	(20,483)

	Notes	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(2,027)	(5,173)	(2,966)	(1,232)
Increase in restricted cash		–	(185,625)	–	(545,275)
Net cash flows used in investing activities		(2,027)	(190,798)	(2,966)	(546,507)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	20	50,000	–	–	–
New other loans		46,626	2,151,218	–	996,800
Repayment of other loans		–	(1,411,290)	(46,626)	(286,554)
Contribution from a non-controlling shareholder of a subsidiary		15,000	–	–	–
Net cash flows from/(used in) financing activities		111,626	739,928	(46,626)	710,246
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,094	163,877	2,832	143,256
Cash and cash equivalents at beginning of period/year		–	3,094	3,094	166,971
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR		3,094	166,971	5,926	310,227
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	16	3,094	166,971	5,926	310,227

(e) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Investment in a subsidiary	12	35,000	35,000	35,000
Total non-current assets		35,000	35,000	35,000
CURRENT ASSETS				
Due from a related company	15	14,986	14,986	14,986
Cash and bank balances	16	23	6	4
Total current assets		15,009	14,992	14,990
CURRENT LIABILITIES				
Other payables and accruals	18	8	–	–
Due to a subsidiary	12	–	20	20
Total current liabilities		8	20	20
NET CURRENT ASSETS		15,001	14,972	14,970
Net assets		50,001	49,972	49,970
EQUITY				
Issued capital	20	50,000	50,000	50,000
Retained profits/(accumulated losses)		1	(28)	(30)
Total equity		50,001	49,972	49,970

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Guiyang Resources (note (a)) is a limited liability company registered in the People's Republic of China (the "PRC") on 22 August 2012. The registered office of Guiyang Resources is located at No. 41, 26th Floor of Administration Committee Building, Jinyang New District, Guiyang, Guizhou, the PRC.

The principal activity of Guiyang Resources Group was property development during the Relevant Periods and the nine months ended 30 September 2013.

In the opinion of the directors of Guiyang Resources, Guiyang Resources's ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the PRC.

Particulars of the subsidiary of Guiyang Resources as at 30 September 2014 are set out below:

Name	**Place and date of registration and place of business**	**Nominal value of registered/ paid-up share capital**	**Percentage of equity interest directly attributable to Guiyang Resources**	**Principal activity**
貴陽恒隆置業有限公司 (Guiyang Henglong Property Co., Limited*) ("Guiyang Henglong") *(note (b))*	PRC/ Mainland China 1 November 2012	RMB50,000,000	70%	Property development

Notes:

(a) The statutory financial statements of Guiyang Resources for the period from 22 August 2012 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by 貴州匯隆會計師事務所 (Guizhou Huilong Certified Public Accountants*) ("Guizhou Huilong CPA") and 亞太(集團)會計師事務所有限公司 (Asia Pacific Certified Public Accountants (Group) Company Limited*) ("Asia Pacific CPA"), respectively, both of which are certified public accountants registered in the PRC.

(b) The statutory financial statements of Guiyang Henglong for the period from 1 November 2012 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 prepared under PRC GAAP were audited by Guizhou Huilong CPA and Asia Pacific CPA, respectively, both of which are certified public accountants registered in the PRC.

* *For identification purpose only*

2.1 BASIS OF PRESENTATION

The Financial Information incorporates the financial statements of Guiyang Resources Group for the Relevant Periods and the nine months ended 30 September 2013. The financial statements of the subsidiary are prepared for the same reporting period as Guiyang Resources, using consistent accounting policies. The results of the subsidiary are consolidated from the date on which Guiyang Resources Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of Guiyang Resources Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Guiyang Resources Group are eliminated in full on consolidation.

Guiyang Resources Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Guiyang Resources Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Guiyang Resources Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Guiyang Resources Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Guiyang Resources Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.3 FUNDAMENTAL ACCOUNTING CONCEPT

Notwithstanding that Guiyang Resources Group had deficiency in assets as at 30 September 2014, this Financial Information has been prepared on the going concern basis because 北大方正集團有限公司 (Peking University Founder Group Co., Ltd, a fellow subsidiary of Guiyang Resources, has agreed to provide adequate financial support to Guiyang Resources to meet its obligations as and when they fall due.

** For identification purpose only*

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Guiyang Resources Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting For Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Guiyang Resources Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Guiyang Resources Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Guiyang Resources. Control is achieved when Guiyang Resources Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Guiyang Resources Group the current ability to direct the relevant activities of the investee).

When Guiyang Resources has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Guiyang Resources Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Guiyang Resources Group's voting rights and potential voting rights.

The results of the subsidiary are included in Guiyang Resources's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. Guiyang Resources's investment in a subsidiary that is not classified as held for sale in accordance with HKFRS 5 is stated at cost less any impairment losses.

Fair value measurement

Guiyang Resources Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Guiyang Resources Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Guiyang Resources Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Guiyang Resources Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Guiyang Resources Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Guiyang Resources Group;

(ii) has significant influence over Guiyang Resources Group; or

(iii) is a member of the key management personnel of Guiyang Resources Group or of a parent of Guiyang Resources Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Guiyang Resources Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Guiyang Resources Group 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 Guiyang Resources Group or an entity related to Guiyang Resources Group;

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Guiyang Resources Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Guiyang Resources Group is the lessor, assets leased by Guiyang Resources Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where Guiyang Resources Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Guiyang Resources Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statements of profit or loss and other comprehensive income. The loss arising from impairment is recognised in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Guiyang Resources Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- Guiyang Resources Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Guiyang Resources Group has transferred substantially all the risks and rewards of the asset, or (b) Guiyang Resources Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Guiyang Resources Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Guiyang Resources Group continues to recognise to the transferred asset to the extent of Guiyang Resources Group's continuing involvement. In that case, Guiyang Resources Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Guiyang Resources Group has retained.

Impairment of financial assets

Guiyang Resources Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Guiyang Resources Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Guiyang Resources Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Guiyang Resources Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statements of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Guiyang Resources Group's financial liabilities include trade payables, other payables and accruals, amounts due to related companies and interest-bearing other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by Guiyang Resources Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Guiyang Resources Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Guiyang Resources Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Guiyang Resources Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in a subsidiary when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in a subsidiary, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Guiyang Resources Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of Guiyang Resources Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in RMB, which is Guiyang Resources's functional and presentation currency. Each entity in Guiyang Resources Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Guiyang Resources Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of Guiyang Resources Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Guiyang Resources Group based on management's best estimates. When developing properties, Guiyang Resources Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the costs of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 9 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, Guiyang Resources Group has a single operating and reportable segment, which is property development in Mainland China. All of Guiyang Resources Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, all of Guiyang Resources Group's non-current assets were located in Mainland China.

5. OTHER INCOME

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Bank interest income	33	235	37	4,224

6. LOSS BEFORE TAX

Guiyang Resources Group's loss before tax is arrived at after charging:

	Note	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation	*11*	25	1,042	710	1,169
Minimum lease payments under operating leases of land and buildings		413	992	774	774
Auditors' remuneration		9	11	11	–
Employee benefit expense:					
Wages and salaries		1,230	15,572	5,136	5,071
Pension scheme contributions*		28	329	255	156
		1,258	15,901	5,391	5,227

* As at 31 December 2012 and 2013 and 30 September 2014, Guiyang Resources Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Guiyang Resources Group's finance costs is as follows:

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	
			2013	**2014**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group"), an intermediate holding company of Guiyang Resources	–	58,461	33,721	66,753
Interest on entrusted loans from third parties	–	–	–	50,709
Total interest expense	–	58,461	33,721	117,462
Less: Interest capitalised	–	(55,119)	(30,379)	(117,462)
	–	3,342	3,342	–

** For identification purpose only*

8. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods and the nine months ended 30 September 2013 is as follows:

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	
			2013	**2014**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	–	949	683	812
Performance related bonuses	–	1,533	–	–
Pension scheme contributions	–	19	13	17
	–	2,501	696	829
	–	2,501	696	829

9. INCOME TAX

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China, based on the existing legislation, interpretations and practices in respect thereof. No PRC corporate income tax has been provided because Guiyang Resources Group did not have any assessable profits arising in Mainland China during the Relevant Periods and the nine months ended 30 September 2013.

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the jurisdiction in which Guiyang Resources and its subsidiary are domiciled to the tax expense at the effective tax rate is as follows:

Guiyang Resources Group

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loss before tax	(2,422)	(58,313)	(22,106)	(49,557)
Tax at statutory tax rate of 25%	(606)	(14,578)	(5,527)	(12,389)
Expenses not deductible for tax	78	739	1,836	258
Tax losses not recognised	528	13,839	3,691	12,131
Tax position at the effective rate	–	–	–	–

Deferred tax assets have not been recognised in respect of the following item:

Guiyang Resources Group

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	2,112	57,468	105,992

Guiyang Resources

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	–	29	30

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by Guiyang Resources to its shareholder.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Guiyang Resources Group

	Leasehold improvements *RMB'000*	**Furniture, fixtures, and office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
At 22 August 2012 (date of incorporation), net of accumulated depreciation	–	–	–	–
Additions	1,765	194	1,332	3,291
Depreciation provided during the period	–	(4)	(21)	(25)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	1,765	190	1,311	3,266
Additions	–	1,520	2,389	3,909
Depreciation provided during the year	(361)	(226)	(455)	(1,042)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	1,404	1,484	3,245	6,133
Additions	184	544	504	1,232
Disposals	–	(20)	–	(20)
Depreciation provided during the period	(314)	(308)	(547)	(1,169)
At 30 September 2014, net of accumulated depreciation	1,274	1,700	3,202	6,176

	Leasehold improvements *RMB'000*	Furniture, fixtures, and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2012:				
Cost	1,765	194	1,332	3,291
Accumulated depreciation	–	(4)	(21)	(25)
Net carrying amount	1,765	190	1,311	3,266
At 31 December 2013:				
Cost	1,765	1,714	3,721	7,200
Accumulated depreciation	(361)	(230)	(476)	(1,067)
Net carrying amount	1,404	1,484	3,245	6,133
At 30 September 2014:				
Cost	1,949	2,234	4,225	8,408
Accumulated depreciation	(675)	(534)	(1,023)	(2,232)
Net carrying amount	1,274	1,700	3,202	6,176

12. INVESTMENT IN A SUBSIDIARY

Guiyang Resources

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	35,000	35,000	35,000

The amounts due to a subsidiary included in the current liabilities of Guiyang Resources's statements of financial position of approximately RMB20,000 and RMB20,000 as at 31 December 2013 and 30 September 2014, respectively, were unsecured, interest-free and were repayable on demand or within one year.

Particulars of Guiyang Resources's subsidiary as at 30 September 2014 are set out in note 1 of this section.

Details of Guiyang Resources's subsidiary that has material non-controlling interests are set out below:

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
			(Unaudited)	
Percentage of equity interest held by non-controlling interests:				
Guiyang Henglong	30%	30%	30%	30%

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss for the year/period allocated to non-controlling interests:				
Guiyang Henglong	(727)	(17,485)	(6,623)	(14,867)

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Accumulated balances of non-controlling interests at the end of the year/period			
Guiyang Henglong	14,273	(3,212)	(18,079)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Guiyang Henglong

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Total revenue	–	–	–	–
Total expenses	(2,423)	(58,284)	(22,077)	(49,555)
Loss and total comprehensive loss for the year/period	(2,423)	(58,284)	(22,077)	(49,555)

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Current assets	92,668	1,416,546	3,193,317
Non-current assets	3,266	6,133	6,176
Current liabilities	(1,731)	(1,433,386)	(3,059,756)
Non-current liabilities	(46,626)	–	(200,000)

	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash flows from/(used in) operating activities	(91,528)	(385,236)	52,441	(20,482)
Net cash flows used in investing activities	(2,027)	(190,798)	(2,966)	(546,507)
Net cash flows from/(used in) financing activities	96,626	739,928	(46,626)	710,246
Net increase in cash and cash equivalents	3,071	163,894	2,849	143,257

13. PROPERTIES UNDER DEVELOPMENT

Guiyang Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	–	770,826	1,267,245

Guiyang Resources Group's properties under development are located in Mainland China and are held under the following lease terms:

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Long term leases	–	76,570	125,882
Medium term leases	–	694,256	1,141,363
	–	770,826	1,267,245

At 31 December 2013 and 30 September 2014, certain of Guiyang Resources Group's land use rights included in properties under development with a carrying value of approximately RMB575,000,000 and RMB212,278,000 were pledged to secure banking facilities of RMB500,000,000 and RMB500,000,000, respectively, granted to PKU Resources Group.

At 30 September 2014, certain of Guiyang Resources Group's land use rights included in properties under development with a carrying value of approximately RMB127,212,000 were pledged to secure other loans of RMB296,800,000 granted to Guiyang Resources Group.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Guiyang Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	1,057	30,687	89,590
Deposits and other receivables	88,540	236,480	115,581
	89,597	267,167	205,171

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. BALANCES WITH RELATED COMPANIES

An analysis of the balances with related companies is as follows:

	Guiyang Resources Group			Guiyang Resources		
	As at 31 December		As at 30 September	As at 31 December		As at 30 September
	2012	2013	2014	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)						
PKU Resources Group	14,986	14,986	614,632	14,986	14,986	14,986
雲南北大資源房地產開發有限公司 (Yunnan Peking Resource Property Development Co., Limited*), a fellow subsidiary of Guiyang Resources	–	–	83	–	–	–
	14,986	14,986	614,715	14,986	14,986	14,986
PKU Resources Group	–	(21,892)	–	–	–	–
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*) ("PKU Resources Holdings"), an intermediate holding company of Guiyang Resources	–	–	(4,482)	–	–	–
新津北創房地產開發有限公司 (Xinjin Beichuang Property Development Co., Limited*), a fellow subsidiary of Guiyang Resources	–	–	(1,170)	–	–	–
成都立輝地產有限公司 (Chengdu Lihui Property Co., Limited*), a fellow subsidiary of Guiyang Resources	–	–	(127)	–	–	–
	–	(21,892)	(5,779)	–	–	–

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

** For identification purpose only*

16. CASH AND BANK BALANCES AND RESTRICTED CASH

Guiyang Resources Group

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Cash and bank balances	*(a)*	3,094	352,596	1,041,127
Less: restricted cash	*(b)*	–	(185,625)	(730,900)
		3,094	166,971	310,227

Guiyang Resources

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Cash and bank balances	*(a)*	23	6	4

Notes:

(a) All cash and bank balances and restricted cash of Guiyang Resources Group are denominated in RMB as at 31 December 2012 and 2013 and 30 September 2014, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Guiyang Resources Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Pursuant to relevant regulations in the PRC, Guiyang Resources Group is required to place certain amounts at designated bank accounts as deposits for the construction of the relevant properties. As at 31 December 2013 and 30 September 2014, such deposits amounted to approximately RMB185,625,000 and RMB730,900,000, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

17. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Guiyang Resources Group

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Within one year or on demand	–	27,353	128,242

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

18. OTHER PAYABLES AND ACCRUALS

Guiyang Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	–	520,530	1,531,414
Other payables and accruals	1,739	51,114	65,390
	1,739	571,644	1,596,804

Guiyang Resources

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	8	–	–

Other payables are non-interest-bearing and have an average term of three months to one year.

19. INTEREST-BEARING OTHER BORROWINGS

Guiyang Resources Group

	As at 31 December						As at 30 September		
	2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Other loans – unsecured*	–	–	–	11.5	2014	786,554	11.5	2014	500,000
Other loans – secured**	–	–	–	–	–	–	10.6	2015	296,800
Other loans – unsecured**	–	–	–	–	–	–	10.6	2015	500,000
			–			786,554			1,296,800
Non-current									
Other loans – unsecured*	15.0	2014	46,626	–	–	–	–	–	–
Other loans – unsecured**	–	–	–	–	–	–	10.5	2016	200,000
			46,626			–			200,000
			46,626			786,554			1,496,800

* The balances represent amounts due to PKU Resources Group.

** The balances represent entrusted loans from third parties.

Guiyang Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Other borrowings repayable:			
Within one year	–	786,554	1,296,800
In the second year	46,626	–	200,000
	46,626	786,554	1,496,800

At 31 December 2013 and 30 September 2014, certain of Guiyang Resources Group's land use rights included in properties under development with a carrying value of approximately RMB575,000,000 and RMB212,278,000 were pledged to secure banking facilities of RMB500,000,000 and RMB500,000,000, respectively, granted to PKU Resources Group.

At 30 September 2014, certain of Guiyang Resources Group's land use rights included in properties under development with a carrying value of approximately RMB127,212,000 were pledged to secure other loans of RMB296,800,000 granted to Guiyang Resources Group.

As at 31 December 2012 and 2013 and 30 September 2014, all other borrowings above are denominated in RMB.

20. ISSUED CAPITAL

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-up capital	50,000	50,000	50,000

During the Relevant Periods, the movement in share capital was as follows:

On 22 August 2012 (date of incorporation of Guiyang Resources), share capital of RMB50,000,000 was paid up.

A summary of the transaction during the Relevant Periods with reference to the above movement in Guiyang Resources's issued capital is as follows:

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
At beginning of the year/period	–	50,000	50,000
Issue of shares	50,000	–	–
At end of the year/period	50,000	50,000	50,000

21. CONTINGENT LIABILITIES

As at 31 December 2013 and 30 September 2014, Guiyang Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Guiyang Resources Group's properties amounting to approximately RMB49,354,000 and RMB309,439,000, respectively. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Guiyang Resources Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Guiyang Resources Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and Guiyang Resources Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Guiyang Resources Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of Guiyang Resources consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 31 December 2013 and 30 September 2014.

22. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Guiyang Resources Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, Guiyang Resources Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	976	976	976
In the second to fifth years, inclusive	3,415	2,439	1,708
	4,391	3,415	2,684

Guiyang Resources had no lease commitments as at the end of each of the Relevant Periods.

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, Guiyang Resources Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties under development	2,890	87,549	535,533

Guiyang Resources had no commitment as at the end of each of the Relevant Periods.

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in this Financial Information, Guiyang Resources Group had the following material transactions with a related company during the Relevant Periods and the nine months ended 30 September 2013.

	Notes	Period from 22 August 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Licensee fee to PKU Resources Group	*(i)*	–	5,205	–	–
Licensee fee to PKU Resources Holdings	*(i)*	–	–	–	10,076
Interest expenses paid or payable (before interest capitalisation) to PKU Resources Group	*(ii)*	–	58,461	33,721	66,753

Notes:

(i) Licensee fee was charged in accordance with 1% of property pre-sales revenue of the respective properties.

(ii) The interest expenses were paid at an interest rate of 11.5% per annum.

(b) Other transactions with related parties:

At 31 December 2013 and 30 September 2014, certain of Guiyang Resources Group's land use right included in properties under development with a carrying value of approximately RMB575,000,000 and RMB212,278,000 were pledged to secure banking facilities of RMB500,000,000 and RMB500,000,000, respectively, granted to PKU Resources Group.

(c) Outstanding balances with related parties:

Details of Guiyang Resources Group's balances with related companies as at 31 December 2012 and 2013 and 30 September 2014 are disclosed in notes 15 and 19 to the Financial Information.

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Guiyang Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	88,540	236,480	115,581
Due from related companies	14,986	14,986	614,715
Restricted cash	–	185,625	730,900
Cash and bank balances	3,094	166,971	310,227
	106,620	604,062	1,771,423

Guiyang Resources

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Due from a related company	14,986	14,986	14,986
Cash and bank balances	23	6	4
	15,009	14,992	14,990

Financial liabilities – Financial liabilities at amortised cost

Guiyang Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	27,353	128,242
Financial liabilities included in other payables and accruals	1,739	51,114	65,390
Due to related companies	–	21,892	5,779
Interest-bearing other borrowings	46,626	786,554	1,496,800
	48,365	886,913	1,696,211

Guiyang Resources

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	8	–	–
Due to a subsidiary	–	20	20
	8	20	20

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Guiyang Resources Group's and Guiyang Resources's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Guiyang Resources Group and Guiyang Resources did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Guiyang Resources Group's principal financial instruments comprise interest-bearing other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for Guiyang Resources Group's operations. Guiyang Resources Group has various other financial assets and liabilities such as trade payables and balances with related companies, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Guiyang Resources Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Guiyang Resources Group's financial instruments are credit risk and liquidity risk. The directors of Guiyang Resources review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of Guiyang Resources Group's financial assets, which comprise cash and bank balances, deposits, other receivables and amounts due from related companies from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Guiyang Resources Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Guiyang Resources Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Guiyang Resources Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Guiyang Resources Group

	Within one year or on demand	More than one year but less than two years	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2012			
Financial liabilities included in other payables and accruals	1,739	–	1,739
Interest-bearing other borrowings	5,436	50,260	55,696
	7,175	50,260	57,435
31 December 2013			
Trade payables	27,353	–	27,353
Financial liabilities included in other payables and accruals	51,114	–	51,114
Due to related companies	21,892	–	21,892
Interest-bearing other borrowings	872,447	–	872,447
	972,806	–	972,806
30 September 2014			
Trade payables	128,242	–	128,242
Financial liabilities included in other payables and accruals	65,390	–	65,390
Due to related companies	5,779	–	5,779
Interest-bearing other borrowings	1,381,117	220,942	1,602,059
	1,580,528	220,942	1,801,470

The maturity profile of Guiyang Resources's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Guiyang Resources

	Within one year or on demand		
	31 December 2012	31 December 2013	30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	8	–	–
Due to a subsidiary	–	20	20
	8	20	20

Capital management

The primary objective of Guiyang Resources Group's capital management is to safeguard Guiyang Resources Group's ability to continue as a going concern.

Guiyang Resources Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Guiyang Resources Group is not subject to any externally imposed capital requirements.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Guiyang Resources Group or its subsidiary in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of 青島北大資源地產有限公司 (Qingdao Peking University Resources Co., Limited*) ("Qingdao Resources") and its subsidiaries (hereinafter collectively referred to as "Qingdao Resources Group") which comprise the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Qingdao Resources Group for the period from 28 November 2012 (date of incorporation) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Qingdao Resources Group and the statements of financial position of Qingdao Resources as at 31 December 2012 and 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Qingdao Resources Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in Qingdao Resources, 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*), 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*), Extol High Enterprises Limited and Keen Delight Global Limited.

Qingdao Resources was established in the People's Republic of China (the "PRC") on 28 November 2012. As at the end of the Relevant Periods, Qingdao Resources has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies comprising Qingdao Resources Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Qingdao Resources Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Qingdao Resources (the "Directors") have prepared the consolidated financial statements of Qingdao Resources Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting

Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for the period from 28 November 2012 (date of incorporation) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Qingdao Resources Group and Qingdao Resources as at 31 December 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Qingdao Resources Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other income	*5*	16	94	72	298
Selling and marketing expenses		–	(1,709)	(756)	(7,701)
Administrative expenses		(264)	(10,568)	(6,231)	(6,567)
Other operating expenses, net		–	–	(127)	(322)
Finance costs	*7*	–	(3,653)	–	–
LOSS BEFORE TAX	*6*	(248)	(15,836)	(7,042)	(14,292)
Income tax expense	*9*	–	–	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(248)	(15,836)	(7,042)	(14,292)
Attributable to:					
Owners of the parent		(248)	(11,479)	(5,344)	(10,046)
Non-controlling interests		–	(4,357)	(1,698)	(4,246)
		(248)	(15,836)	(7,042)	(14,292)

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	–	3,527	2,730
Other intangible assets	12	–	78	112
Total non-current assets		–	3,605	2,842
CURRENT ASSETS				
Properties under development	14	–	783,975	1,472,847
Prepayments, deposits and other receivables	15	–	2,713	35,881
Due from a related company	16	50,000	80,000	80,000
Tax recoverable		–	111	2,997
Restricted cash	17	–	14,131	49,829
Cash and bank balances	17	49,761	14,625	37,386
Total current assets		99,761	895,555	1,678,940
CURRENT LIABILITIES				
Trade payables	18	–	15,496	20,829
Other payables and accruals	19	9	12,778	245,998
Due to related companies	16	–	25,389	21,886
Interest-bearing other borrowings	20	–	–	71,905
Tax payable		–	111	136
Total current liabilities		9	53,774	360,754
NET CURRENT ASSETS		99,752	841,781	1,318,186
TOTAL ASSETS LESS CURRENT LIABILITIES		99,752	845,386	1,321,028
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	20	–	746,370	1,236,504
Total non-current liabilities		–	746,370	1,236,504
Net assets		99,752	99,016	84,524

	Notes	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
EQUITY				
Equity attributable to owners of the parent				
Issued capital	21	100,000	100,000	100,000
Reserves		(248)	(11,727)	(21,872)
		99,752	88,273	78,128
Non-controlling interests		–	10,743	6,396
Total equity		99,752	99,016	84,524

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent					
	Note	**Issued capital** *RMB'000*	**Accumulated losses** *RMB'000*	**Other reserve** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 28 November 2012 (date of incorporation)		–	–	–	–	–	–
Issue of shares on incorporation	*21*	100,000	–	–	100,000	–	100,000
Loss and total comprehensive loss for the period		–	(248)	–	(248)	–	(248)
At 31 December 2012 and 1 January 2013		100,000	(248)*	–*	99,752	–	99,752
Contribution from non-controlling shareholders		–	–	–	–	15,100	15,100
Loss and total comprehensive loss for the year		–	(11,479)	–	(11,479)	(4,357)	(15,836)
At 31 December 2013 and 1 January 2014		100,000	(11,727)*	–*	88,273	10,743	99,016
Acquisition of non-controlling interests		–	–	(99)	(99)	(101)	(200)
Loss and total comprehensive loss for the period		–	(10,046)	–	(10,046)	(4,246)	(14,292)
At 30 September 2014		100,000	(21,773)*	(99)*	78,128	6,396	84,524
At 31 December 2012 and 1 January 2013		100,000	(248)	–	99,752	–	99,752
Contribution from non-controlling shareholders (unaudited)		–	–	–	–	15,000	15,000
Loss and total comprehensive loss for the period (unaudited)		–	(5,344)	–	(5,344)	(1,698)	(7,042)
At 30 September 2013 (unaudited)		100,000	(5,592)	–	94,408	13,302	107,710

* These reserve accounts comprise the consolidated reserves of RMB248,000 (deficit), RMB11,727,000 (deficit) and RMB21,872,000 (deficit) in the consolidated statements of financial position as at 31 December 2012 and 2013 and 30 September 2014, respectively.

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(248)	(15,836)	(7,042)	(14,292)
Adjustments for:					
Finance costs	7	–	3,653	–	–
Interest income	5	(16)	(94)	(72)	(298)
Depreciation	6	–	610	299	981
Amortisation of intangible assets	6	–	13	4	37
		(264)	(11,654)	(6,811)	(13,572)
Increase in properties under development		–	(755,599)	(183,357)	(582,823)
Increase in prepayments, deposits and other receivables		–	(2,713)	(19,684)	(33,168)
Increase in amounts due from related companies		(50,000)	(30,000)	(30,000)	–
Decrease in trade payables		–	–	–	(15,496)
Increase in other payables and accruals		9	12,769	13,527	233,045
Increase/(decrease) in amounts due to related companies		–	9,900	–	(15,205)
Cash used in operations		(50,255)	(777,297)	(226,325)	(427,219)
Interest received		16	94	72	298
Interest paid		–	(1,044)	–	(73,343)
Land appreciation tax paid		–	–	–	(2,861)
Net cash flows used in operating activities		(50,239)	(778,247)	(226,253)	(503,125)

	Notes	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	*11*	–	(4,137)	(1,499)	(184)
Additions to intangible assets	*12*	–	(91)	(48)	(71)
Increase in restricted cash		–	(14,131)	(3,000)	(35,698)
Net cash flows used in investing activities		–	(18,359)	(4,547)	(35,953)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		100,000	–	–	–
New bank loans		–	95,000	–	–
New other loans		–	1,171,620	176,500	2,183,449
Repayment of other loans		–	(520,250)	–	(1,621,410)
Acquisition of non-controlling interests		–	–	–	(200)
Capital contributions from non-controlling shareholders		–	15,100	15,000	–
Net cash flows from financing activities		100,000	761,470	191,500	561,839
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49,761	(35,136)	(39,300)	22,761
Cash and cash equivalents at beginning of year/period		–	49,761	49,761	14,625

	Notes	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		49,761	14,625	10,461	37,386
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	*17*	49,761	14,625	10,461	37,386

(e) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in subsidiaries	*13*	–	35,000	35,000
Total non-current assets		–	35,000	35,000
CURRENT ASSETS				
Due from a subsidiary	*13*	–	13,229	13,229
Due from a related company	*16*	50,000	50,000	50,000
Cash and bank balances	*17*	49,761	128	76
Total current assets		99,761	63,357	63,305
CURRENT LIABILITIES				
Other payables and accruals	*19*	9	9	1
Due to a subsidiary	*13*	–	–	100
Total current liabilities		9	9	101
NET CURRENT ASSETS		99,752	63,348	63,204
Net assets		99,752	98,348	98,204
EQUITY				
Issued capital	*21*	100,000	100,000	100,000
Accumulated losses		(248)	(1,652)	(1,796)
Total equity		99,752	98,348	98,204

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*) ("Qingdao Resources") (note (a)) is a limited liability company registered in the PRC on 28 November 2012. The registered office of Qingdao Resources is located at Building 1, Shenghe Building, No.58 Shandongtou Road, Laoshan District, Qingdao, Shandong, the PRC.

The principal activity of Qingdao Resources Group was property development the Relevant Periods and the nine months ended 30 September 2013.

In the opinion of the directors of Qingdao Resources, Qingdao Resources' ultimate holding company is 北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the PRC.

Particulars of the subsidiaries of Qingdao Resources as at 30 September 2014 are set out below:

Name	Place and date of registration and place of business	Nominal value of registered/ paid-up share capital	Percentage of equity interest attributable to Qingdao Resources		Principal activities
			Direct	Indirect	
青島博雅華府置業有限公司 (Qingdao Boya Huafu Property Co., Limited*) ("Qingdao Boya") *(note (b))*	PRC/Mainland China 1 March 2013	RMB50,000,000	70%	–	Property development
青島博萊置業有限公司 (Qingdao Bolai Property Co., Limited*) ("Qingdao Bolai") *(note (c))*	PRC/Mainland China 23 December 2013	RMB60,000,000	–	70%	Property development

Notes:

(a) The statutory financial statements of Qingdao Resources for the period from 28 November 2012 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 prepared under PRC generally accepted accounting principles ("PRC GAAP") were audited by 山東天健正信會計師事務所有限公司 (Shandong Tianjian Zhengxin Certified Public Accountants Company Limited*) and 亞太（集團）會計師事務所有限公司 (Asia Pacific Certified Public Accountants (Group) Company Limited*) ("Asia Pacific CPA"), respectively, both of which are certified public accountants registered in the PRC.

(b) The statutory financial statements of Qingdao Boya for the period ended 31 December 2013 prepared under PRC GAAP were audited by Asia Pacific CPA.

(c) The statutory financial statements of Qingdao Bolai for the period ended 31 December 2013 prepared under PRC GAAP were audited by Asia Pacific CPA.

** For identification purpose only*

2.1 BASIS OF PRESENTATION

The Financial Information incorporates the financial statements of Qingdao Resources Group for the Relevant Periods and the nine months ended 30 September 2013. The financial statements of the subsidiaries are prepared for the same reporting period as Qingdao Resources, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which Qingdao Resources Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of Qingdao Resources Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Qingdao Resources Group are eliminated in full on consolidation.

Qingdao Resources Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Qingdao Resources Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Qingdao Resources Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Qingdao Resources Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Qingdao Resources Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Qingdao Resources Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting For Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Qingdao Resources Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Qingdao Resources Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Qingdao Resources. Control is achieved when Qingdao Resources Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Qingdao Resources Group the current ability to direct the relevant activities of the investee).

When Qingdao Resources has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Qingdao Resources Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Qingdao Resources Group's voting rights and potential voting rights.

The results of the subsidiaries are included in Qingdao Resources's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. Qingdao Resources 's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Qingdao Resources Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Qingdao Resources Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Information on a recurring basis, Qingdao Resources Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Qingdao Resources Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Qingdao Resources Group;

(ii) has significant influence over Qingdao Resources Group; or

(iii) is a member of the key management personnel of Group or of a parent of Qingdao Resources Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Qingdao Resources Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Qingdao Resources Group 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 Qingdao Resources Group or an entity related to Qingdao Resources Group;

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Qingdao Resources Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of three years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Qingdao Resources Group is the lessor, assets leased by Qingdao Resources Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where Qingdao Resources Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Qingdao Resources Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statements of profit or loss and other comprehensive income. The loss arising from impairment is recognised in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Qingdao Resources Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Qingdao Resources Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Qingdao Resources Group has

transferred substantially all the risks and rewards of the asset, or (b) Qingdao Resources Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Qingdao Resources Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Qingdao Resources Group continues to recognise to the transferred asset to the extent of Qingdao Resources Group's continuing involvement. In that case, Qingdao Resources Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Qingdao Resources Group has retained.

Impairment of financial assets

Qingdao Resources Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Qingdao Resources Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Qingdao Resources Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Qingdao Resources Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Qingdao Resources Group's financial liabilities include trade payables, other payables and accruals, amounts due to related companies and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by Qingdao Resources Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Qingdao Resources Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Qingdao Resources Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Qingdao Resources Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Qingdao Resources Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of Qingdao Resources Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in RMB, which is Qingdao Resources's functional and presentation currency. Each entity in Qingdao Resources Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Qingdao Resources Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of Qingdao Resources Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Qingdao Resources Group based on management's best estimates. When developing properties, Qingdao Resources Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the costs of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 9 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, Qingdao Resources Group has a single operating and reportable segment, which is property development in Mainland China. All of Qingdao Resources Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, all of Qingdao Resources Group's non-current assets were located in Mainland China.

5. OTHER INCOME

	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Bank interest income	16	94	72	298

6. LOSS BEFORE TAX

Qingdao Resources Group's loss before tax is arrived at after charging:

	Notes	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation	*11*	–	610	299	981
Amortisation of intangible assets	*12*	–	13	4	37
Minimum lease payments under operating leases of land and buildings		–	1,324	891	1,168
Auditors' remuneration		10	18	7	20
Employee benefit expense:					
Wages and salaries		69	2,927	1,876	922
Pension scheme contributions*		3	134	112	55
		72	3,061	1,988	977

* As at 31 December 2012 and 2013 and 30 September 2014, Qingdao Resources Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Qingdao Resources Group's finance costs is as follows:

	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	
			2013	2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on bank loans	–	1,044	–	5,317
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd.*) ("PKU Resources Group"), an intermediate holding company of Qingdao Resources	–	4,592	–	75,339
Interest on loans from 北大資源集團地產有限公司 (Peking University Resources Group Property Co., Limited*) ("PKU Property"), the immediate holding company of Qingdao Resources	–	10,924	7,581	–
Total interest expense	–	16,560	7,581	80,656
Less: Interest capitalised	–	(12,907)	(7,581)	80,656
	–	3,653	–	–

** For identification purpose only*

8. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods and the nine months ended 30 September 2013 is as follows:

	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	
			2013	2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fees	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	–	–	–	271
	–	–	–	271

9. INCOME TAX

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China, based on the existing legislation, interpretations and practices in respect thereof. No PRC corporate income tax has been provided because Qingdao Resources Group did not have any assessable profits arising in Mainland China during the Relevant Periods and the nine months ended 30 September 2013.

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the jurisdiction in which Qingdao Resources and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Qingdao Resources Group

	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loss before tax	(248)	(15,836)	(7,042)	(14,292)
Tax at statutory tax rate of 25%	(62)	(3,959)	(1,761)	(3,573)
Expenses not deductible for tax	38	1,676	512	1,154
Tax losses not recognised	24	2,283	1,249	2,419
Tax position at the effective rate	–	–	–	–

Deferred tax assets have not been recognised in respect of the following item:

Qingdao Resources Group

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	96	9,228	18,904

Qingdao Resources

	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	96	1,283	1,341

The above tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by Qingdao Resources to its shareholder.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Qingdao Resources Group

	Leasehold improvements *RMB'000*	**Furniture, fixtures and office equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
At 28 November 2012 (date of incorporation), 31 December 2012 and 1 January 2013, net of accumulated depreciation	–	–	–	–
Additions	1,076	753	2,308	4,137
Depreciation provided during the year	(205)	(78)	(327)	(610)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	871	675	1,981	3,527
Additions	58	126	–	184
Depreciation provided during the period	(377)	(184)	(420)	(981)
At 30 September 2014, net of accumulated depreciation	552	617	1,561	2,730
At 31 December 2012:				
Cost	–	–	–	–
Accumulated depreciation	–	–	–	–
Net carrying amount	–	–	–	–
At 31 December 2013:				
Cost	1,076	753	2,308	4,137
Accumulated depreciation	(205)	(78)	(327)	(610)
Net carrying amount	871	675	1,981	3,527
At 30 September 2014:				
Cost	1,134	879	2,308	4,321
Accumulated depreciation	(582)	(262)	(747)	(1,591)
Net carrying amount	552	617	1,561	2,730

12. OTHER INTANGIBLE ASSETS

Qingdao Resources Group

	Computer software *RMB'000*
At 28 November 2012 (date of incorporation), 31 December 2012 and 1 January 2013, net of accumulated amortisation	–
Addition	91
Amortisation provided during the year	(13)
At 31 December 2013 and 1 January 2014, net of accumulated amortisation	78
Addition	71
Amortisation provided during the period	(37)
At 30 September 2014, net of accumulated amortisation	112
At 31 December 2012:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
At 31 December 2013:	
Cost	91
Accumulated amortisation	(13)
Net carrying amount	78
At 30 September 2014:	
Cost	162
Accumulated amortisation	(50)
Net carrying amount	112

13. INVESTMENTS IN SUBSIDIARIES

Qingdao Resources

	As at 31 December		**As at 30 September**
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	–	35,000	35,000

The amount due from and to subsidiaries included in the current assets and current liabilities of Qingdao Resources' statement of financial position of approximately RMB13,229,000 and Nil, and RMB13,229,000 and RMB100,000 as at 31 December 2013 and 30 September 2014, respectively, were unsecured, interest-free and was repayable on demand.

Particulars of Qingdao Resources's subsidiaries as at 30 September 2014 are set out in note 1 of this section.

Details of Qingdao Resources's subsidiary that has material non-controlling interests are set out below:

	Year ended 31 December	Nine months ended 30 September	
	2013	2013	2014
Percentage of equity interest held by non-controlling interests:			
Qingdao Boya	30%	30%	30%

	Year ended 31 December	Ninie months ended 30 September	
	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Loss for the year/period allocated to non-controlling interests:			
Qingdao Boya	(3,153)	(1,698)	(1,920)

	As at 31 December	As at 30 September
	2013	2014
	RMB'000	*RMB'000*
Accumulated balances of non-controlling interests at the end of each of the Relevant Periods		
Qingdao Boya	11,847	9,927

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Qingdao Boya

	Year ended 31 December	Ninie months ended 30 September	
	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Total revenue	–	–	–
Total expenses	(10,509)	(5,660)	(6,401)
Loss and total comprehensive loss for the year/period	(10,509)	(5,660)	(6,401)

	As at 31 December 2013	As at 30 September 2014
	RMB'000	*RMB'000*
Current assets	835,524	435,890
Non-current assets	13,505	62,816
Current liabilities	(63,168)	(359,616)
Non-current liabilities	(746,370)	(106,000)

	Year ended 31 December	Ninie months ended 30 September	
	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
		(Unaudited)	
Net cash flows from/(used in) operating activities	(298,994)	(35,404)	290,158
Net cash flows used in investing activities	(27,382)	(1,333)	(50,049)
Net cash flows from/(used in) financing activities	345,000	50,000	(189,000)
Net increase in cash and cash equivalents	18,624	13,263	51,109

14. PROPERTIES UNDER DEVELOPMENT

Qingdao Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	–	783,975	1,472,847

All of the Group's properties under development are situated in Mainland China and are held under the following lease terms:

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Long term leases	–	666,462	1,077,061
Medium term leases	–	117,513	395,786
	–	783,975	1,472,847

As at 31 December 2013 and 30 September 2014, certain of Qingdao Resources Group's land use rights included in properties under development with a carrying value of approximately RMB156,614,000 and RMB156,614,000, respectively, were pledged to secure banking facilities of RMB170,000,000 granted by a bank to Qingdao Resources Group (note 20). As at 31 December 2013 and 30 September 2014, the banking facilities were utilised to the extent of RMB95,000,000 and RMB95,000,000, respectively.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Qingdao Resources Group

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	–	1,634	16,800
Deposits and other receivables	–	1,079	19,081
	–	2,713	35,881

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. BALANCES WITH RELATED COMPANIES

	Qingdao Resources Group			Qingdao Resources		
	As at 31 December		As at 30 September	As at 31 December		As at 30 September
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)						
PKU Property	50,000	80,000	80,000	50,000	50,000	50,000
PKU Property	–	(20,824)	–	–	–	–
PKU Resources Group	–	(4,565)	(21,592)	–	–	–
北大資源集團控股有限公司 (Peking University Resources Group Holdings Co., Ltd.*) ("PKU Resources Holdings"), an intermediate holding company of Qingdao Resources	–	–	(294)	–	–	–
	–	(25,389)	(21,886)	–	–	–

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

** For identification purpose only*

17. CASH AND BANK BALANCES AND RESTRICTED CASH

Qingdao Resources Group

	Note	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Cash and bank balances	*(a)*	49,761	28,756	87,215
Less: Restricted cash	*(b)*	–	(14,131)	(49,829)
		49,761	14,625	37,386

Qingdao Resources

	Note	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Cash and bank balances	*(a)*	49,761	128	76

Notes:

(a) The cash and bank balances of Qingdao Resources Group are all denominated in RMB at the end of each of the Relevant Periods. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Qingdao Resources Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Pursuant to relevant regulations in the PRC, Qingdao Resources Group is required to place certain amounts at designated bank accounts as deposits for the construction of the relevant properties. As at 31 December 2013 and 30 September 2014, such deposits amounted to approximately RMB14,131,000 and RMB49,829,000, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Qingdao Resources Group

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Within one year or on demand	–	15,496	20,829

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

19. OTHER PAYABLES AND ACCRUALS

Qingdao Resources Group

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Advances from customers	–	11,144	242,916
Other payables and accruals	9	1,634	3,082
	9	12,778	245,998

Qingdao Resources

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Other payables and accruals	9	9	1

Other payables are non-interest-bearing and have an average term of three months to one year.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

Qingdao Resources Group

	As at 31 December						As at 30 September		
	2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Other loans – unsecured*	–	–	–	–	–	–	12.0	2015	71,905
Non-current									
Bank loan – secured	–	–	–	7.38	2015	95,000	7.38	2015	95,000
Other loans – unsecured**	–	–	–	11.5	2015	451,370	–	–	–
Other loans – unsecured*	–	–	–	11.5	2015	200,000	10.4-12.0	2015-2017	1,141,504
			–			746,370			1,236,504
			–			746,370			1,308,409

* The balances represent amounts due to PKU Resources Group.

** The balance represents amounts due to PKU Property.

Qingdao Resources Group

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Analysed into:			
Bank loan repayable:			
In the second year	–	95,000	95,000
Other loans repayable:			
Within one year	–	–	71,905
In the second year	–	651,370	641,504
In the third to fifth years, inclusive	–	–	500,000
	–	651,370	1,213,409
	–	746,370	1,308,409

As at 31 December 2013 and 30 September 2014, a bank loan of Qingdao Resources Group was secured by mortgage over Qingdao Resources Group's properties under development with carrying values of approximately RMB156,614,000 and RMB156,614,000, respectively (note 14).

As at 31 December 2013 and 30 September 2014, all bank and other borrowings above are denominated in RMB.

21. ISSUED CAPITAL

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Registered and paid-up capital	100,000	100,000	100,000

During the Relevant Periods, the movement in share capital was as follows:

On 28 November 2012 (date of incorporation), share capital of RMB100,000,000 was paid up.

A summary of the transaction during the Relevant Periods with reference to the above movement in Qingdao's issued capital is as follows:

	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
Issued and fully paid:			
At beginning of the year/period	–	100,000	100,000
Issue of shares	100,000	–	–
At end of the year/period	100,000	100,000	100,000

22. CONTINGENT LIABILITIES

As at 30 September 2014, Qingdao Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Qingdao Resources Group's properties amounting to approximately RMB22,820,000. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Qingdao Resources Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Qingdao Resources Group is responsible for repaying the outstanding mortgage principals together with the accrued interest and penalties owed by the defaulting purchasers to the banks and Qingdao Resources Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Qingdao Resources Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of Qingdao Resources consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 30 September 2014.

23. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Qingdao Resources Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, Qingdao Resources Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	–	575	350
In the second to fifth years, inclusive	–	3,304	2,629
	–	3,879	2,979

Qingdao Resources had no lease commitments as at the end of each of the Relevant Periods.

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, Qingdao Resources Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Properties under development	–	91,243	336,838

Qingdao Resources had no commitment as at the end of each of the Relevant Periods.

25. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in this Financial Information, Qingdao Resources Group had the following material transactions with a related company during the Relevant Periods and nine months ended 30 September 2013:

	Notes	Period from 28 November 2012 (date of incorporation) to 31 December 2012	Year ended 31 December 2013	Nine months ended 30 September 2013	Nine months ended 30 September 2014
		RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Licensee fee to PKU Resources Holdings	*(i)*	–	–	–	2,422
Interest expenses paid or payable (before interest capitalisation) to PKU Property	*(ii)*	–	10,924	7,581	–
Interest expenses paid or payable (before interest capitalisation) to PKU Resources Group	*(iii)*	–	4,592	–	75,339

Notes:

(i) Licensee fee was charged in accordance with 1% of property pre-sales revenue of the respective properties.

(ii) The interest expenses were paid at an interest rate of 11.5% per annum.

(iii) The interest expenses were paid at an interest rate ranging from 10.4% to 12.0% per annum.

(b) Outstanding balances with related parties:

Details of Qingdao Resources Group's balances with related companies as at 31 December 2012, 31 December 2013 and 30 September 2014 are disclosed in notes 16 and 20 to the Financial Information.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Qingdao Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	–	1,079	19,081
Due from a related company	50,000	80,000	80,000
Restricted cash	–	14,131	49,829
Cash and bank balances	49,761	14,625	37,386
	99,761	109,835	186,296

Qingdao Resources

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Due from a subsidiary	–	13,229	13,229
Due from a related company	50,000	50,000	50,000
Cash and bank balances	49,761	128	76
	99,761	63,357	63,305

Financial liabilities – Financial liabilities at amortised cost

Qingdao Resources Group

	As at 31 December		As at 30 September
	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	15,496	20,829
Financial liabilities included in other payables and accruals	9	1,634	3,082
Due to related companies	–	25,389	21,886
Interest-bearing bank and other borrowings	–	746,370	1,308,409
	9	788,889	1,354,206

Qingdao Resources

	As at 31 December		As at 30 September
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	9	9	1
Due to a subsidiary	–	–	100
	9	9	101

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Qingdao Resources Group's and Qingdao Resources's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Qingdao Resources Group and Qingdao Resources did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Qingdao Resources Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for Qingdao Resources Group's operations. Qingdao Resources Group has various other financial assets and liabilities such as trade payables and balances with related parties, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Qingdao Resources Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Qingdao Resources Group's financial instruments are credit risk and liquidity risk. The directors of Qingdao Resources review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of Qingdao Resources Group's financial assets, which comprise cash and bank balances, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Qingdao Resources Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Qingdao Resources Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Qingdao Resources Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Qingdao Resources Group

	Within one year or on demand	**More than one year but less than two years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2012			
Financial liabilities included in other payables and accruals	9	–	9
31 December 2013			
Trade payables	15,496	–	15,496
Financial liabilities included in other payables and accruals	1,634	–	1,634
Due to related companies	25,389	–	25,389
Interest-bearing bank and other borrowings	–	869,052	869,052
	42,519	869,052	911,571
30 September 2014			
Trade payables	20,829	–	20,829
Financial liabilities included in other payables and accruals	3,082	–	3,082
Due to related companies	21,886	–	21,886
Interest-bearing bank and other borrowings	76,231	1,491,841	1,568,072
	122,028	1,491,841	1,613,869

The maturity profile of Qingdao Resources' financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Qingdao Resources

	Within one year or on demand		
	As at 31 December		**As at 30 September**
	2012	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	9	9	1
Due to a subsidiary	–	–	100
	9	9	101

Capital management

The primary objective of Qingdao Resources Group's capital management is to safeguard Qingdao Resources Group's ability to continue as a going concern.

Qingdao Resources Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Qingdao Resources Group is not subject to any externally imposed capital requirements.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Qingdao Resources Group or its subsidiaries in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

ACCOUNTANTS' REPORT

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We set out below our report on the financial information of 重慶盈豐地產有限公司 (Chongqing Yingfeng Property Co., Limited*) ("Chongqing Yingfeng") and its subsidiaries (hereinafter collectively referred to as "Chongqing Yingfeng Group") which comprise the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Chongqing Yingfeng Group for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the consolidated statements of financial position of Chongqing Yingfeng Group and the statements of financial position of Chongqing Yingfeng as at 31 December 2011, 2012 and 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Chongqing Yingfeng Group for the nine months ended 30 September 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the shareholders' circular of Peking University Resources (Holdings) Company Limited dated 2 December 2014 (the "Circular") in connection with the proposed acquisition of 100% of issued shares in 重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*), 成都北大資源地產有限公司 (Chengdu Peking University Resources Property Co., Limited*), 青島北大資源地產有限公司 (Qingdao Peking University Resources Property Co., Limited*), 貴陽北大資源地產有限公司 (Guiyang Peking University Resources Property Co., Limited*), Extol High Enterprises Limited and Keen Delight Global Limited.

Chongqing Yingfeng was established in the People's Republic of China (the "PRC") on 19 October 2006. As at the end of the Relevant Periods, Chongqing Yingfeng has direct interest in the subsidiary as set out in note 1 of Section II below. Both companies comprising Chongqing Yingfeng Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising Chongqing Yingfeng Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of Chongqing Yingfeng (the "Directors") have prepared the consolidated financial statements of Chongqing Yingfeng Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting

Standards ("HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information and the Interim Comparative Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of Chongqing Yingfeng Group and Chongqing Yingfeng as at 31 December 2011, 2012 and 2013 and 30 September 2014 and of the consolidated results and cash flows of Chongqing Yingfeng Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(a) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*5*	–	–	–	–	594,083
Cost of sales		–	–	–	–	(500,607)
Gross profit		–	–	–	–	93,476
Other income	*5*	118	313	977	520	398
Selling and marketing expenses		(3,530)	(14,303)	(34,629)	(17,492)	(16,145)
Administrative expenses		(8,725)	(11,500)	(8,584)	(6,700)	(8,616)
Finance costs	*7*	–	–	(7,149)	–	–
PROFIT/(LOSS) BEFORE TAX	*6*	(12,137)	(25,490)	(49,385)	(23,672)	69,113
Income tax expense	*9*	–	–	–	–	(2,761)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(12,137)	(25,490)	(49,385)	(23,672)	66,352
Attributable to:						
Owners of the parent		(12,137)	(25,490)	(49,385)	(23,672)	67,689
Non-controlling interests		–	–	–	–	(1,337)
		(12,137)	(25,490)	(49,385)	(23,672)	66,352

(b) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	3,549	4,461	5,714	4,779
Other intangible assets	*12*	–	–	1,000	250
Total non-current assets		3,549	4,461	6,714	5,029
CURRENT ASSETS					
Properties under development	*14*	1,644,268	2,089,653	3,317,398	2,655,358
Properties held for sales	*15*	–	–	–	526,889
Prepayments, deposits and other receivables	*16*	6,940	18,856	49,536	23,748
Due from related companies	*17*	–	–	330,000	402
Tax recoverable		–	3,174	10,860	15,265
Restricted bank balances	*18*	–	100,677	25,496	65,830
Cash and bank balances	*18*	33,484	103,345	45,237	50,187
Total current assets		1,684,692	2,315,705	3,778,527	3,337,679
CURRENT LIABILITIES					
Trade payables	*19*	–	56,561	227,548	117,345
Other payables and accruals	*20*	493,010	549,820	1,245,443	154,048
Due to related companies	*17*	–	–	–	422,316
Interest-bearing bank and other borrowings	*21*	–	495,000	145,470	691,330
Tax payables		–	1,088	1,674	3,661
Total current liabilities		493,010	1,102,469	1,620,135	1,388,700
NET CURRENT ASSETS		1,191,682	1,213,236	2,158,392	1,948,979
TOTAL ASSETS LESS CURRENT LIABILITIES		1,195,231	1,217,697	2,165,106	1,954,008

	Notes	As at 31 December 2011 RMB'000	As at 31 December 2012 RMB'000	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	21	495,000	542,956	1,539,750	1,247,300
Total non-current liabilities		495,000	542,956	1,539,750	1,247,300
Net assets		700,231	674,741	625,356	706,708
EQUITY					
Equity attributable to owners of the parent					
Issued capital	22	80,000	80,000	80,000	80,000
Reserves	23(a)	620,231	594,741	545,356	615,330
		700,231	674,741	625,356	695,330
Non-controlling interests		–	–	–	11,378
Total equity		700,231	674,741	625,356	706,708

(c) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent						
	Note	Issued capital	Capital reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011		20,000	–	–	(7,632)	12,368	–	12,368
Issue of shares	22	60,000	640,000	–	–	700,000	–	700,000
Loss and total comprehensive loss for the year		–	–	–	(12,137)	(12,137)	–	(12,137)
At 31 December 2011 and 1 January 2012		80,000	640,000*	–*	(19,769)*	700,231	–	700,231
Loss and total comprehensive loss for the year		–	–	–	(25,490)	(25,490)	–	(25,490)
At 31 December 2012 and 1 January 2013		80,000	640,000*	–*	(45,259)*	674,741	–	674,741
Loss and total comprehensive loss for the year		–	–	–	(49,385)	(49,385)	–	(49,385)
At 31 December 2013 and 1 January 2014		80,000	640,000*	–*	(94,644)*	625,356	–	625,356
Partial disposal of a subsidiary without loss of control		–	–	2,285	–	2,285	12,715	15,000
Profit/(loss) and total comprehensive income/(loss) for the period		–	–	–	67,689	67,689	(1,337)	66,352
At 30 September 2014		80,000	640,000*	2,285*	(26,955)*	695,330	11,378	706,708
At 1 January 2013		80,000	640,000	–	(45,259)	674,741	–	674,741
Loss and total comprehensive loss for the period (unaudited)		–	–	–	(23,672)	(23,672)	–	(23,672)
At 30 September 2013 (unaudited)		80,000	640,000	–	(68,931)	651,069	–	651,069

* These reserve accounts comprise the consolidated reserves of RMB620,231,000, RMB594,741,000, RMB545,356,000 and RMB615,330,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively.

(d) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(12,137)	(25,490)	(49,385)	(23,672)	69,113
Adjustments for:						
Interest income	5	(118)	(313)	(977)	(520)	(398)
Finance costs	7	–	–	7,149	–	–
Loss on disposal of items of property, plant and equipment	6	35	–	–	–	–
Depreciation	6	525	1,198	1,583	783	1,501
Amortisation of other intangible assets	6	–	–	1,000	750	750
		(11,695)	(24,605)	(40,630)	(22,659)	70,966
Decrease/(increase) in properties under development		(472,646)	(276,391)	(1,086,931)	(178,352)	123,771
Decrease/(increase) in prepayments, deposits and other receivables		159,590	(11,914)	(30,681)	14,081	(5,998)
Decrease/(increase) in amounts due from related companies		–	–	(330,000)	–	329,598
Increase/(decrease) in trade payables		(85,500)	56,561	178,564	(53,700)	33
Increase/(decrease) in other payables and accruals		(644,886)	56,808	688,047	37,343	(1,091,395)
Increase in amounts due to related companies		–	–	–	–	422,316
Cash used in operations		(1,055,137)	(199,541)	(621,631)	(203,287)	(150,709)
Interest received		118	313	977	520	398
Interest paid		(106,446)	(168,994)	(147,963)	(64,793)	(67,070)
Land appreciation tax paid		–	(2,086)	(7,100)	(5,248)	(5,179)
Net cash flows used in operating activities		(1,161,465)	(370,308)	(775,717)	(272,808)	(222,560)

	Notes	Year ended 31 December 2011	2012	2013	Nine months ended 30 September 2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(3,093)	(2,110)	(2,836)	(1,837)	(566)
Proceeds from disposal of items of property, plant and equipment		60	–	–	–	–
Additions to other intangible assets	12	–	–	(2,000)	(2,000)	–
Proceeds on disposal of an available-for-sale investment		600	–	–	–	–
Proceeds from partial disposal of a subsidiary without loss of control		–	–	–	–	15,000
Decrease/(increase) in restricted bank balances		–	(100,677)	75,181	29,513	(40,334)
Net cash flows from/(used in) investing activities		(2,433)	(102,787)	70,345	25,676	(25,900)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares	22	700,000	–	–	–	–
New bank loans		–	50,000	160,000	–	–
New other loans		495,000	492,956	1,479,750	900,000	372,550
Repayment of bank loans		–	–	(4,530)	(738,156)	(119,140)
Repayment of other loans		–	–	(987,956)	–	–
Net cash flows from financing activities		1,195,000	542,956	647,264	161,844	253,410
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		31,102	69,861	(58,108)	(85,288)	4,950
Cash and cash equivalents at beginning of year/period		2,382	33,484	103,345	103,345	45,237

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		33,484	103,345	45,237	18,057	50,187
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*18*	33,484	103,345	45,237	18,057	50,187

(e) STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	As at 30 September 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	3,549	4,461	5,714	4,712
Other intangible assets	*12*	–	–	1,000	250
Investment in a subsidiary	*13*	–	–	50,000	35,000
Total non-current assets		3,549	4,461	56,714	39,962
CURRENT ASSETS					
Properties under development	*14*	1,644,268	2,089,653	2,688,769	1,926,768
Properties held for sales	*15*	–	–	–	526,889
Prepayments, deposits and other receivables	*16*	6,940	18,856	49,536	23,256
Due from related companies	*17*	–	–	–	402
Tax recoverable		–	3,174	10,860	15,265
Restricted bank balances	*18*	–	100,677	25,496	65,830
Cash and bank balances	*18*	33,484	103,345	43,798	49,304
Total current assets		1,684,692	2,315,705	2,818,459	2,607,714
CURRENT LIABILITIES					
Trade payables	*19*	–	56,561	227,235	115,463
Other payables and accruals	*20*	439,010	549,820	908,269	153,550
Due to related companies	*17*	–	–	–	361,933
Interest-bearing bank and other borrowings	*21*	–	495,000	145,470	691,330
Tax payables		–	1,088	1,674	3,661
Total current liabilities		493,010	1,102,469	1,282,648	1,325,937
NET CURRENT ASSETS		1,191,682	1,213,236	1,535,811	1,281,777

		As at 31 December			As at 30 September
	Notes	**2011**	**2012**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		1,195,231	1,217,697	1,592,525	1,321,739
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*21*	495,000	542,956	960,000	617,960
Total non-current liabilities		495,000	542,956	960,000	617,960
Net assets		700,231	674,741	632,525	703,779
EQUITY					
Issued capital	*22*	80,000	80,000	80,000	80,000
Reserves	*23(b)*	620,231	594,741	552,525	623,779
Total equity		700,231	674,741	632,525	703,779

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Chongqing Yingfeng (note (a)) is a limited liability company registered in the PRC on 19 October 2006. The registered office of Chongqing Yingfeng is located at Xingyao Yicun Village, Cuntan Shuikou Road, Jiangbei District, Chongqing, the PRC.

The principal activity of Chongqing Yingfeng Group is property development during the Relevant Periods and the nine months ended 30 September 2013.

In the opinion of the directors of Chongqing Yingfeng, as at 30 September 2014, Chongqing Yingfeng's ultimate holding company is 北京北大資產經營有限公司 (Peking University Asset Management Company Limited*), which is registered in the PRC.

Particulars of the subsidiary of Chongqing Yingfeng as at 30 September 2014 are set out below:

Name	Place and date of registration and business	Nominal value of registered/ paid-up share capital	Percentage of equity interest directly attributable to Chongqing Yingfeng	Principal activity
武漢天合錦城房地產發展有限公司 (Wuhan Tianhe Jincheng Property Development Co., Limited*) ("Wuhan Tianhe")	PRC 6 December 2013	RMB50,000,000	70%	Property development

Note:

(a) The statutory financial statements of Chongqing Yingfeng for the years ended 31 December 2011, 2012, and 2013 prepared under PRC generally accepted accounting principles were audited by 亞太（集團）會計師事務所有限公司 (Asia Pacific Certified Public Accountants (Group) Company Limited*), 北京科勤會計師事務所 (Beijing Keqin C.P.A Partnership*) and Beijing Keqin C.P.A Partnership, respectively, all of which are certified public accountants registered in the PRC.

* *For identification purpose only*

2.1 BASIS OF PRESENTATION

The Financial Information incorporates the financial statements of Chongqing Yingfeng Group for the Relevant Periods. The financial statements of the subsidiary are prepared for the same reporting period as Chongqing Yingfeng, using consistent accounting policies. The results of the subsidiary are consolidated from the date of acquisition, being the date on which Chongqing Yingfeng Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owner of the parent of Chongqing Yingfeng Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Chongqing Yingfeng Group are eliminated in full on consolidation.

Chongqing Yingfeng Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If Chongqing Yingfeng Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. Chongqing Yingfeng Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if Chongqing Yingfeng Group had directly disposed of the related assets or liabilities.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by Chongqing Yingfeng Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Chongqing Yingfeng Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements*[2]
HKFRS 14	*Regulatory Deferral Account*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 18 Amendments	Amendments to HKAS 16 and HKAS 18 *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to Chongqing Yingfeng Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement.* This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. Chongqing Yingfeng Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Chongqing Yingfeng. Control is achieved when Chongqing Yingfeng Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give Chongqing Yingfeng Group the current ability to direct the relevant activities of the investee).

When Chongqing Yingfeng has, directly or indirectly, less than a majority of the voting or similar rights of an investee, Chongqing Yingfeng Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) Chongqing Yingfeng Group's voting rights and potential voting rights.

The results of the subsidiary are included in Chongqing Yingfeng's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. Chongqing Yingfeng's investment in the subsidiary that is not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Fair value measurement

Chongqing Yingfeng Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Chongqing Yingfeng Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Chongqing Yingfeng Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, Chongqing Yingfeng Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to Chongqing Yingfeng Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Chongqing Yingfeng Group;

(ii) has significant influence over Chongqing Yingfeng Group; or

(iii) is a member of the key management personnel of Chongqing Yingfeng Group or of a parent of Chongqing Yingfeng Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Chongqing Yingfeng Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Chongqing Yingfeng Group 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 Chongqing Yingfeng Group or an entity related to Chongqing Yingfeng Group;

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Chongqing Yingfeng Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Chongqing Yingfeng Group is the lessor, assets leased by Chongqing Yingfeng Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where Chongqing Yingfeng Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of four years.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Chongqing Yingfeng Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statements of profit or loss and other comprehensive income. The loss arising from impairment is recognised in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Chongqing Yingfeng Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Chongqing Yingfeng Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Chongqing Yingfeng Group has transferred substantially all the risks and rewards of the asset, or (b) Chongqing Yingfeng Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Chongqing Yingfeng Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, Chongqing Yingfeng Group continues to recognise to the transferred asset to the extent of Chongqing Yingfeng Group's continuing involvement. In that case, Chongqing Yingfeng Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Chongqing Yingfeng Group has retained.

Impairment of financial assets

Chongqing Yingfeng Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, Chongqing Yingfeng Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If Chongqing Yingfeng Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Chongqing Yingfeng Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Chongqing Yingfeng Group's financial liabilities include trade payables, other payables and accruals, amounts due to related companies and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by Chongqing Yingfeng Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, Chongqing Yingfeng Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Chongqing Yingfeng Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Chongqing Yingfeng Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Chongqing Yingfeng Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension scheme

The employees of Chongqing Yingfeng Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate has been applied to the expenditure on the individual assets.

Foreign currencies

The Financial Information is presented in RMB, which is Chongqing Yingfeng's functional and presentation currency. Each entity in Chongqing Yingfeng Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in Chongqing Yingfeng Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Chongqing Yingfeng Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Recognition and allocation of construction costs on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sales of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by Chongqing Yingfeng Group based on management's best estimates. When developing properties, Chongqing Yingfeng Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to different phases are allocated to individual phases based on saleable area. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase on decrease in the development costs and other costs would affect the profit or loss in future years.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 9 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, Chongqing Yingfeng Group has a single operating and reportable segment, which is property development in Mainland China. All of Chongqing Yingfeng Group's operating results are generated from this single segment. During the Relevant Periods and the nine months ended 30 September 2013, all of Chongqing Yingfeng Group's non-current assets were located in Mainland China.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Company's turnover, represents the gross proceeds from the sale of properties, net of business tax, during the Relevant Periods and the nine months ended 30 September 2013.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Sale of properties	–	–	–	–	594,083

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income					
Bank interest income	118	313	977	520	398

6. PROFIT/(LOSS) BEFORE TAX

Chongqing Yingfeng Group's profit/(loss) before tax is arrived at after charging:

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of properties sold		–	–	–	–	500,607
Depreciation	*11*	525	1,198	1,583	783	1,501
Amortisation of other intangible assets	*12*	–	–	1,000	750	750
Minimum lease payments under operating leases of land and buildings		1,033	1,656	647	246	961
Auditors' remuneration		–	–	10	–	6
Loss on disposal of property, plant and equipment		35	–	–	–	–
Employee benefit expense:						
Wages and salaries		4,151	5,940	5,743	4,592	5,524
Pension scheme contributions*		934	1,186	2,000	1,565	1,995
		5,085	7,126	7,743	6,157	7,519

* As at 31 December 2011, 2012 and 2013 and 30 September 2014, Chongqing Yingfeng Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of Chongqing Yingfeng Group's finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on loans from 北大資源集團有限公司 (Peking University Resources Group Co., Ltd*) ("PKU Resources Group"), a fellow subsidiary of Chongqing Yingfeng	–	–	–	–	22,621
Interest on loans from 北大資源集團地產有限公司 (Peking University Resources Group Property Co., Ltd*) ("PKU Property"), a fellow subsidiary of Chongqing Yingfeng	–	–	–	–	53,234
Interest on loans from 西南合成醫藥集團有限公司 (Southwest Synthetic Pharmaceutical Corp., Ltd.*) ("Southwest Pharmaceutical"), a fellow subsidiary of Peking Founder	–	–	–	–	389
Interest on loans from third parties	111,661	156,038	147,359	107,900	80,982
Interest on loans from banks	–	84	5,348	3,264	13,485
Total interest expense	111,661	156,122	152,707	111,164	170,711
Less: Interest capitalised	(111,661)	(156,122)	(145,558)	(111,164)	(170,711)
	–	–	7,149	–	–

** For identification purpose only*

8. DIRECTORS' REMUNERATION

No director received any fee or emolument in respect of their services rendered to Chongqing Yingfeng Group during the Relevant Periods and the nine months ended 30 September 2013.

9. INCOME TAX

PRC corporate income tax

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China, based on the existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which Chongqing Yingfeng and its subsidiary are domiciled to the tax expense at the effective tax rate is as follows:

Chongqing Yingfeng Group

	Year ended 31 December			Nine months ended 30 September	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) before tax	(12,137)	(25,490)	(49,385)	(23,672)	69,113
Tax at statutory tax rate of 25%	(3,034)	(6,372)	(12,346)	(5,918)	17,278
Expenses not deductible for tax	–	93	64	–	52
Tax losses not recognised	3,034	6,279	12,282	5,918	1,225
Temporary differences not recognised	–	–	–	–	5,916
Tax losses utilised from previous years	–	–	–	–	(21,710)
Tax charge at Chongqing Yingfeng Group's effective rate	–	–	–	–	2,761

Deferred tax assets have not been recognised in respect of the following items:

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	19,769	44,885	94,013	12,071

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	19,769	44,885	86,844	–

There are no income tax consequences attaching to the payment of dividends by Chongqing Yingfeng to its shareholders.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

11. PROPERTY, PLANT AND EQUIPMENT

Chongqing Yingfeng Group

	Leasehold improvements	**Furniture, fixture, and office equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011, net of accumulated depreciation	–	184	892	1,076
Additions	522	426	2,145	3,093
Depreciation provided during the year	–	(72)	(453)	(525)
Disposals	–	–	(95)	(95)
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	522	538	2,489	3,549
Additions	266	1,123	721	2,110
Depreciation provided during the year	(394)	(194)	(610)	(1,198)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	394	1,467	2,600	4,461
Additions	1,405	346	1,085	2,836
Depreciation provided during the year	(394)	(348)	(841)	(1,583)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	1,405	1,465	2,844	5,714
Additions	–	566	–	566
Depreciation provided during the period	(525)	(331)	(645)	(1,501)
At 30 September 2014	880	1,700	2,199	4,779

	Leasehold improvements *RMB'000*	Furniture, fixture, and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2011:				
Cost	522	681	3,146	4,349
Accumulated depreciation	–	(143)	(657)	(800)
Net carrying amount	522	538	2,489	3,549
At 31 December 2012:				
Cost	788	1,804	3,867	6,459
Accumulated depreciation	(394)	(337)	(1,267)	(1,998)
Net carrying amount	394	1,467	2,600	4,461
At 31 December 2013:				
Cost	2,193	2,150	4,952	9,295
Accumulated depreciation	(788)	(685)	(2,108)	(3,581)
Net carrying amount	1,405	1,465	2,844	5,714
At 30 September 2014:				
Cost	2,193	2,716	4,952	9,861
Accumulated depreciation	(1,313)	(1,016)	(2,753)	(5,082)
Net carrying amount	880	1,700	2,199	4,779

Chongqing Yingfeng

	Leasehold improvements	Furniture, fixture, and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011, net of accumulated depreciation	–	184	892	1,076
Additions	522	426	2,145	3,093
Depreciation provided during the year	–	(72)	(453)	(525)
Disposals	–	–	(95)	(95)
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	522	538	2,489	3,549
Additions	266	1,123	721	2,110
Depreciation provided during the year	(394)	(194)	(610)	(1,198)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	394	1,467	2,600	4,461
Additions	1,405	346	1,085	2,836
Depreciation provided during the year	(394)	(348)	(841)	(1,583)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	1,405	1,465	2,844	5,714
Additions	–	496	–	496
Depreciation provided during the period	(525)	(328)	(645)	(1,498)
At 30 September 2014	880	1,633	2,199	4,712

	Leasehold improvements *RMB'000*	Furniture, fixture, and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 31 December 2011:				
Cost	522	681	3,146	4,349
Accumulated depreciation	–	(143)	(657)	(800)
Net carrying amount	522	538	2,489	3,549
At 31 December 2012:				
Cost	788	1,804	3,867	6,459
Accumulated depreciation	(394)	(337)	(1,267)	(1,998)
Net carrying amount	394	1,467	2,600	4,461
At 31 December 2013:				
Cost	2,193	2,150	4,952	9,295
Accumulated depreciation	(788)	(685)	(2,108)	(3,581)
Net carrying amount	1,405	1,465	2,844	5,714
At 30 September 2014:				
Cost	2,193	2,646	4,952	9,791
Accumulated depreciation	(1,313)	(1,013)	(2,753)	(5,079)
Net carrying amount	880	1,633	2,199	4,712

12. OTHER INTANGIBLE ASSETS

Chongqing Yingfeng Group and Chongqing Yingfeng

	Software
	RMB'000
At 1 January 2011, 31 December 2011, 31 December 2012 and 1 January 2013, net of accumulated amortisation	–
Additions	2,000
Amortisation provided during the year	(1,000)
At 31 December 2013, net of accumulated amortisation	1,000
Amortisation provided during the period	(750)
At 30 September 2014, net of accumulated amortisation	250
At 31 December 2011 and 2012:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
At 31 December 2013:	
Cost	2,000
Accumulated amortisation	(1,000)
Net carrying amount	1,000
At 30 September 2014:	
Cost	2,000
Accumulated amortisation	(1,750)
Net carrying amount	250

13. INVESTMENT IN A SUBSIDIARY

Chongqing Yingfeng

	As at 31 December 2013	**As at 30 September 2014**
	RMB'000	*RMB'000*
Unlisted shares, at cost	50,000	35,000

Particulars of ChongqingYingfeng's subsidiary as at 30 September 2014 are set out in note 1 of this section.

Details of Chongqing Yingfeng's subsidiary that has material non-controlling interests are set out below:

	Period from the date of partial disposal of 30% interest in Wuhan Tianhe by Chongqing Yingfeng to 30 September 2014
Percentage of equity interest held by non-controlling interests:	
Wuhan Tianhe	30%

	Period from the date of partial disposal of 30% interest in Wuhan Tianhe by Chongqing Yingfeng to 30 September 2014
	RMB'000
Loss for the period allocated to non-controlling interests:	
Wuhan Tianhe	(1,337)

	As at 30 September 2014
	RMB'000
Accumulated balances of non-controlling interests at the end of the period:	
Wuhan Tianhe	11,378

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Wuhan Tianhe

	Period from the date of partial disposal of 30% interest in Wuhan Tianhe by Chongqing Yingfeng to 30 September 2014
	RMB'000
Total revenue	–
Total expense	(4,456)
Loss and total comprehensive loss for the period	(4,456)

	As at 30 September 2014
	RMB'000
Current assets	729,963
Non-current assets	68
Current liabilities	(62,762)
Non-current liabilities	(629,340)

	Period from the date of partial disposal of 30% interest in Wuhan Tianhe by Chongqing Yingfeng to 30 September 2014
	RMB'000
Net cashflows used in operating activities	(46,714)
Net cashflows used in investing activities	(68)
Net cashflows from financing activities	46,820
Net increase in cash and cash equivalents	38

14. PROPERTIES UNDER DEVELOPMENT

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	1,644,268	2,089,653	3,317,398	2,655,358

Chongqing Yingfeng Group's properties under development are located in Mainland China and are held under the following lease terms:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long term leases	–	–	628,629	728,590
Medium term leases	1,644,268	2,089,653	2,688,769	1,926,768
	1,644,268	2,089,653	3,317,398	2,655,358

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development expected to be completed within the normal operating cycle and recovered after more than one year	1,644,268	2,089,653	2,688,769	1,926,768

Chongqing Yingfeng's properties under development are located in Mainland China and are held under medium term lease.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, certain of Chongqing Yingfeng's properties under development with a carrying value of approximately RMB853,142,000, RMB1,635,615,000, RMB1,398,038,000 and RMB956,732,000 were pledged to secure bank and other loans, respectively (note 21).

As at 31 December 2011, 2012 and 2013 and 30 September 2014, Chongqing Yingfeng Group was in the progress of obtaining the land use right certificates of certain land of properties under development with an aggregate net carrying amount of approximately RMB103,757,000, RMB103,757,000, RMB103,757,000 and RMB103,757,000, from the relevant government authorities.

15. PROPERTIES HELD FOR SALE

Chongqing Yingfeng's properties held for sale are stated at cost. Chongqing Yingfeng's properties held for sale are situated in Mainland China and are held under the following lease terms:

Chongqing Yingfeng Group and Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Medium term leases	–	–	–	526,889

As at 30 September 2014, certain of Chongqing Yingfeng's properties held for sales with a carrying value of approximately RMB516,058,000 were pledged to secure bank and other loans of RMB1,001,330,000 (note 21).

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	3,481	13,824	39,549	7,763
Deposits and other receivables	3,459	5,032	9,987	15,985
	6,940	18,856	49,536	23,748

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	3,481	13,824	39,549	7,612
Deposits and other receivables	3,459	5,032	9,987	15,644
	6,940	18,856	49,536	23,256

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. BALANCES WITH RELATED COMPANIES

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)				
重慶北大資源地產有限公司 (Chongqing Peking University Resources Property Co., Limited*) ("Chongqing Resources"), a fellow subsidiary of Chongqing Yingfeng	–	–	–	399
北京北大資源物業管理集團有限公司 (Beijing Peking University Resources Property Limited*) a fellow subsidiary of Chongqing Yingfeng	–	–	–	3
武漢天賜商貿發展有限公司 (Wuhan Tianci Trade and Development Company*), the former shareholder of Chongqing Yingfeng	–	–	330,000	–
	–	–	330,000	402
PKU Resources Group	–	–	–	(107,972)
PKU Property	–	–	–	(314,344)
	–	–	–	(422,316)

* *For identification purpose only*

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from/(to)				
Chongqing Resources	–	–	–	399
Beijing Peking University Resources Property Limited	–	–	–	3
	–	–	–	402
PKU Resources Group	–	–	–	(66,508)
PKU Property	–	–	–	(295,425)
	–	–	–	(361,933)

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

18. CASH AND BANK BALANCES AND RESTRICTED BANK BALANCES

Chongqing Yingfeng Group

		As at 31 December			As at 30 September
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	*(a)*	33,484	204,022	70,733	116,017
Less: Restricted bank balances	*(b)*	–	(100,677)	(25,496)	(65,830)
Cash and cash equivalents		33,484	103,345	45,237	50,187

Chongqing Yingfeng

		As at 31 December			As at 30 September
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	*(a)*	33,484	204,022	69,294	115,134
Less: Restricted bank balances	*(b)*	–	(100,677)	(25,496)	(65,830)
Cash and cash equivalents		33,484	103,345	43,798	49,304

Notes:

(a) The cash and bank balances of Chongqing Yingfeng Group are all denominated in RMB at the end of each of the Relevant Period. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, Chongqing Yingfeng Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Pursuant to relevant regulations in the PRC, Chongqing Yingfeng Group is required to place certain amounts at designed bank account as deposits for the construction of the relevant properties. As at 31 December 2012 and 2013 and 30 September 2014, such deposits of Chongqing Yingfeng Group amounted to approximately RMB54,391,000, RMB25,496,000 and RMB48,800,000 respectively.

In addition, as at 31 December 2012 and 30 September 2014, certain of Chongqing Yingfeng Group's restricted bank balances of RMB46,286,000 and RMB17,030,000 were pledged to secure bank loans granted to Chongqing Yingfeng Group (note 21).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or on demand	–	56,561	227,548	117,345

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year or on demand	–	56,561	227,235	115,463

The trade payables are non-interest-bearing and are normally settled on terms of three to six months.

20. OTHER PAYABLES AND ACCRUALS

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	–	156,527	540,595	118,314
Other payables and accruals	493,010	393,293	704,848	35,734
	493,010	549,820	1,245,443	154,048

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	–	156,527	540,595	118,314
Other payables and accruals	493,010	393,293	367,674	35,236
	493,010	549,820	908,269	153,550

Other payables are non-interest-bearing and have an average term of three months to one year.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

Chongqing Yingfeng Group

	As at 31 December									As at 30 September		
	2011			2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current												
Bank loans – secured	–	–	–	–	–	–	8.6	2014	45,470	8.6	2014	41,330
Other loans – secured#	–	–	–	20.3	2013	495,000	–	–	–	13.3	2015	650,000
Other loans – unsecured^	–	–	–	–	–	–	7.0	2014	100,000	–	–	–
			–			495,000			145,470			691,330
Non-current												
Bank loans – secured	–	–	–	8.6	2014	50,000	8.8	2015	160,000	8.8	2015	160,000
Other loans – unsecured&	–	–	–	15.0	2014	242,956	11.5	2015	296,150	11.5-12.0	2015-2016	937,300
Other loans – unsecured*	–	–	–	–	–	–	11.5	2015	283,600	–	–	–
Other loans – secured#	20.3	2013	495,000	14.0	2014	250,000	13.3	2015-2016	800,000	13.3	2016	150,000
			495,000			542,956			1,539,750			1,247,300
			495,000			1,037,956			1,685,220			1,938,630

& The balance represents amounts due to PKU Resources Group.

* The balance represents amounts due to PKU Property.

^ The balance represents amounts due to Southwest Pharmaceutical.

\# The balance represents amounts due to third parties.

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	–	–	45,470	41,330
In the second year	–	50,000	–	–
In the third to fifth years, inclusive	–	–	160,000	160,000
	–	50,000	205,470	201,330
Other loans repayable:				
Within one year	–	495,000	100,000	650,000
In the second year	495,000	492,956	650,000	1,087,300
In the third to fifth years, inclusive	–	–	729,750	–
	495,000	987,956	1,479,750	1,737,300
	495,000	1,037,956	1,685,220	1,938,630

Chongqing Yingfeng

	As at 31 December									As at 30 September		
	2011			2012			2013			2014		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current												
Bank loans – secured	–	–	–	–	–	–	8.6	2014	45,470	8.6	2014	41,330
Other loans – secured[#]	–	–	–	20.3	2013	495,000	–	–	–	13.3	2016	650,000
Other loans – unsecured^	–	–	–	–	–	–	7.0	2014	100,000	–	–	–
			–			495,000			145,470			691,330
Non-current												
Bank loans – secured	–	–	–	8.6	2014	50,000	8.8	2016	160,000	8.8	2016	160,000
Other loans – unsecured[&]	–	–	–	15.0	2014	242,956	–	–	–	11.5-12.0	2016	307,960
Other loans – secured[#]	20.3	2013	495,000	14.0	2014	250,000	13.3	2015-2016	800,000	13.3	2016	150,000
			495,000			542,956			960,000			617,960
			495,000			1,037,956			1,105,470			1,309,290

& The balance represents amounts due to PKU Resources Group.

^ The balance represents amounts due to Southwest Pharmaceutical.

The balance represents amounts due to third parties.

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	–	–	45,470	41,330
In the second year	–	50,000	–	–
In the third to fifth years, inclusive	–	–	160,000	160,000
	–	50,000	205,470	201,330
Other loans repayable:				
Within one year	–	495,000	100,000	650,000
In the second year	495,000	492,956	650,000	457,960
In the third to fifth years, inclusive	–	–	150,000	–
	495,000	987,956	900,000	1,107,960
	495,000	1,037,956	1,105,470	1,309,290

As at 31 December 2011, certain of the bank and other loans were secured by Chongqing Yingfeng Group's properties under development of with a carrying value of approximately RMB853,142,000 (note 14).

As at 31 December 2012, certain of the bank and other loans were secured by Chongqing Yingfeng Group's properties under development of with a carrying value of approximately RMB1,635,615,000 (note 14) and restricted bank balances of RMB46,286,000 (note 18).

As at 31 December 2013, certain of the bank and other loans were secured by Chongqing Yingfeng Group's properties under development of with a carrying value of approximately RMB1,398,038,000 (note 14).

As at 30 September 2014, certain of the bank and other loans were secured by Chongqing Yingfeng Group's properties under development of with a carrying value of approximately RMB956,732,000 (note 14), properties held for sales with a carrying value of approximately RMB516,058,000 (note 15) and restricted bank balances of RMB17,030,000 (note 18).

22. ISSUED CAPITAL

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued capital	80,000	80,000	80,000	80,000

During the Relevant Periods, the movement in share capital is as follows:

(a) Pursuant to an ordinary resolution passed on 26 January 2011, the authorised share capital of Chongqing Yingfeng was increased from RMB20,000,000 to RMB80,000,000, ranking pari passu in all respects with the existing shares of Chongqing Yingfeng.

(b) On 26 January 2011, RMB60,000,000 was issued at par to a shareholder of Chongqing Yingfeng, which resulted in proceeds of RMB700,000,000. The purpose of the issue was to provide additional working capital for Chongqing Yingfeng.

A summary of the transaction during the Relevant Periods with reference to the above movement in Chongqing Yingfeng's issued capital is as follows:

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
At beginning of the year/period	20,000	80,000	80,000	80,000
Issue of shares	60,000	–	–	–
At end of the year/period	80,000	80,000	80,000	80,000

23. RESERVES

(a) Chongqing Yingfeng Group

The amount of Chongqing Yingfeng Group's reserves and the movements therein for the Relevant Periods and the nine months ended 30 September 2013 are presented in the consolidated statements of changes in equity in Section I of the Financial Information.

(b) Chongqing Yingfeng

	Capital reserve	Accumulated loses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	–	(7,632)	(7,632)
Issue of shares	640,000	–	640,000
Loss and total comprehensive loss for the year	–	(12,137)	(12,137)
At 31 December 2011 and 1 January 2012	640,000	(19,769)	620,231
Loss and total comprehensive loss for the year	–	(25,490)	(25,490)
At 31 December 2012 and 1 January 2013	640,000	(45,259)	594,741
Loss and total comprehensive loss for the year	–	(42,216)	(42,216)
At 31 December 2013 and 1 January 2014	640,000	(87,475)	552,525
Profit and total comprehensive income for the period	–	71,254	71,254
At 30 September 2014	640,000	(16,221)	623,779

24. CONTINGENT LIABILITIES

As at 31 December 2012 and 2013 and 30 September 2014, Chongqing Yingfeng Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Chongqing Yingfeng Group's properties amounting to approximately RMB32,752,000, RMB159,812,000 and RMB159,541,000, respectively. This represented the guarantees in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of Chongqing Yingfeng Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, Chongqing Yingfeng Group is responsible to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and Chongqing Yingfeng Group is entitled (but not limited to) to take over the legal titles and possession of the related properties. Chongqing Yingfeng Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates which are generally available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Company consider that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made for the guarantees in the Financial Information as at 31 December 2012 and 2013 and 30 September 2014.

25. OPERATING LEASE ARRANGEMENTS – AS LESSEE

Chongqing Yingfeng Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, Chongqing Yingfeng Group and Chongqing Yingfeng had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,430	1,073	1,073	1,474
In the second to fifth years, inclusive	690	4,294	3,936	3,790
After five years	–	715	–	–
	2,120	6,082	5,009	5,264

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,430	1,073	1,073	1,073
In the second to fifth years, inclusive	690	4,294	3,936	3,131
After five years	–	715	–	–
	2,120	6,082	5,009	4,204

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, Chongqing Yingfeng Group and Chongqing Yingfeng had the following capital commitments at the end of each of the Relevant Periods and the nine months ended 30 September 2013:

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	10,942	229,775	518,998	937,535

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	10,942	229,775	518,998	721,669

27. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in this Financial Information, Chongqing Yingfeng Group had the following material transactions with a related party during the Relevant Periods and the nine months ended 30 September 2013:

		Year ended 31 December			**Nine months ended 30 September**	
		2011	**2012**	**2013**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest expense paid or payable (before interest capitalisation) to PKU Resources Group	*(i)*	–	–	–	–	22,621
Interest expense paid or payable (before interest capitalisation) to PKU Property	*(i)*	–	–	–	–	53,234
Interest expense paid or payable (before interest capitalisation) to Southwest Pharmaceutical	*(ii)*	–	–	–	–	389
Property fee to Beijing Peking University Resources Property Limited	*(iii)*	–	–	–	–	1,150
Licensee fee paid or payable to PKU Resources Group	*(iv)*	–	–	–	–	2,650

Notes:

(i) The interest expenses were paid at an interest rate from 11.5% to 12.0% per annum.

(ii) The interest expenses were paid at an interest rate of 7% per annum.

(iii) Property service fee was determined at a monthly payment mutually agreed between Chongqing Yingfeng Group and Beijing Peking University Resources Property Limited.

(iv) Licensee fee was charged in accordance with 1% of property per-sales revenue of the respective properties.

(b) Outstanding balances with related parties:

Details of Chongqing Yingfeng Group's balances with related companies as at 31 December 2011, 2012 and 2013 and 30 September 2014 are disclosed in notes 17 and 21 to the Financial Information.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets – Loans and receivables

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	3,459	5,032	9,987	15,985
Due from related companies	–	–	330,000	402
Restricted bank balances	–	100,677	25,496	65,830
Cash and bank equivalents	33,484	103,345	45,237	50,187
	36,943	209,054	410,720	132,404

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	3,459	5,032	9,987	15,644
Due from related companies	–	–	–	402
Restricted bank balances	–	100,677	25,496	65,830
Cash and bank equivalents	33,484	103,345	43,798	49,304
	36,943	209,054	79,281	131,180

Financial liabilities – Financial liabilities at amortised cost

Chongqing Yingfeng Group

	As at 31 December			As at 30 September
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	56,561	227,548	117,345
Financial liabilities included in other payables and accruals	493,010	393,293	704,848	35,734
Due to related companies	–	–	–	422,316
Interest-bearing bank and other borrowings	495,000	1,037,956	1,685,220	1,938,630
	988,010	1,487,810	2,617,616	2,514,025

Chongqing Yingfeng

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	56,561	227,235	115,463
Financial liabilities included in other payables and accruals	493,010	393,293	367,674	35,236
Due to related companies	–	–	–	361,933
Interest-bearing bank and other borrowings	495,000	1,037,956	1,105,470	1,309,290
	988,010	1,487,810	1,700,379	1,821,922

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of Chongqing Yingfeng Group's and Chongqing Yingfeng's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Chongqing Yingfeng Group and Chongqing Yingfeng did not have any financial instruments measured at fair value at the end of each of the Relevant Periods.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Chongqing Yingfeng Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and bank equivalents. The main purpose of these financial instruments is to raise finance for Chongqing Yingfeng Group's operations. Chongqing Yingfeng Group has various other financial assets and liabilities such as trade payables and balances with related parties, which arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, Chongqing Yingfeng Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Chongqing Yingfeng Group's financial instruments are credit risk and liquidity risk. The directors of Chongqing Yingfeng review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of Chongqing Yingfeng Group's other financial assets, which comprise cash and bank equivalents, restricted bank balances,deposits, other receivables and amounts due from related parties from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Chongqing Yingfeng Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

Chongqing Yingfeng Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The maturity profile of Chongqing Yingfeng Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Chongqing Yingfeng Group

	Within one year or on demand	More than one year but less than two years	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2011			
Financial liabilities included in other payables and accruals	493,010	–	493,010
Interest-bearing bank and other borrowings	100,287	503,357	603,644
	593,297	503,357	1,096,654
31 December 2012			
Trade payables	56,561	–	56,561
Financial liabilities included in other payables and accruals	393,293	–	393,293
Interest-bearing bank and other borrowings	500,572	632,189	1,132,761
	950,426	632,189	1,582,615
31 December 2013			
Trade payables	227,548	–	227,548
Financial liabilities included in other payables and accruals	704,848	–	704,848
Interest-bearing bank and other borrowings	243,536	1,800,651	2,044,187
	1,175,932	1,800,651	2,976,583
30 September 2014			
Trade payables	117,345	–	117,345
Financial liabilities included in other payables and accruals	35,734	–	35,734
Due to related companies	422,316	–	422,316
Interest-bearing bank and other borrowings	931,218	1,277,361	2,208,579
	1,506,613	1,277,361	2,783,974

The maturity profile of Chongqing Yingfeng's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Chongqing Yingfeng

	Within one year or on demand	**More than one year but less than two years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2011			
Financial liabilities included in other payables and accruals	493,010	–	493,010
Interest-bearing bank and other borrowings	100,287	503,357	603,644
	593,297	503,357	1,096,654
31 December 2012			
Trade payables	56,561	–	56,561
Financial liabilities included in other payables and accruals	393,293	–	393,293
Interest-bearing bank and other borrowings	500,572	632,189	1,132,761
	950,426	632,189	1,582,615
31 December 2013			
Trade payables	227,235	–	227,235
Financial liabilities included in other payables and accruals	367,467	–	367,467
Interest-bearing bank and other borrowings	176,865	1,161,962	1,338,827
	771,567	1,161,962	1,933,529
30 September 2014			
Trade payables	115,463	–	115,463
Financial liabilities included in other payables and accruals	35,236	–	35,236
Due to related companies	361,933	–	361,933
Interest-bearing bank and other borrowings	858,844	628,319	1,487,163
	1,371,476	628,319	1,999,795

Capital management

The primary objectives of Chongqing Yingfeng Group's capital management are to safeguard Chongqing Yingfeng Group's ability to continue as a going concern.

Chongqing Yingfeng Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Chongqing Yingfeng Group is not subject to any externally imposed capital requirements.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Chongqing Yingfeng Group or its subsidiary in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth below does not form part of the Accountants' Reports from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants, as set forth in Appendix II to this circular, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information of the Group" in this circular and the financial information included in the Accountants' Reports set forth in Appendix II to this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

The accompanying unaudited pro forma financial information of the Enlarged Group (as defined in this circular) comprising the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows of the Enlarged Group, has been prepared by the Directors (as defined in this circular) in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purposes only, to provide information about how the Acquisition (as defined in this circular) as detailed in the section headed "Letter from the Board" in this circular might have affected the results of operations, financial position and cash flows of the Group as if the Acquisition had been completed on (i) 1 January 2013 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and statement of cash flows of the Enlarged Group; and (ii) 30 June 2014 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

The unaudited pro forma financial information of the Enlarged Group has been prepared based on the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014 and the audited financial statements of the Group for the year ended 31 December 2013 as set out in Appendix I to this circular, and the audited financial information of the Acquired Group (as defined in this circular) as set out in the accountants' reports in Appendix II(A) to Appendix II(F) to this circular, after giving effect to the pro forma adjustments described in the accompanying notes. Narrative descriptions of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Enlarged Group; and (iii) factually supportable, are set out in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to describe the actual results of operations, financial position and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on the dates indicated herein. Furthermore, the accompanying unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future results of operations, financial position or cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014 and the audited financial statements of the Group for the year ended 31 December 2013 as set out in Appendix I to this circular, and the audited financial information of the Acquired Group as set out in the accountants' reports in Appendix II(A) to Appendix II(F) to this circular, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

	The Group for the year ended 31 December 2013	Keen Delight Group for the year ended 31 December 2013	Extol Group for the year ended 31 December 2013	Chongqing Resources Group for the year ended 31 December 2013	Chengdu Resources Group for the year ended 31 December 2013	Guiyang Resources Group for the year ended 31 December 2013	Qingdao Resources Group for the year ended 31 December 2013	Consolidated Total	Pro forma adjustments	*Notes*	The Enlarged Group for the year ended 31 December 2013
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
REVENUE	3,028,185	–	–	–	–	–	–	3,028,185			3,028,185
Cost of sales	(2,864,829)	–	–	–	–	–	–	(2,864,829)			(2,864,829)
Gross profit	163,356	–	–	–	–	–	–	163,356			163,356
Gain on bargain purchase	128,568	–	–	–	–	–	–	128,568			128,568
Other income and gains	7,491	72	–	1,465	33	297	119	9,477			9,477
Selling and distribution expenses	(129,128)	(16,850)	–	(47,305)	(14,223)	(38,506)	(2,158)	(248,170)			(248,170)
Administrative expenses	(87,309)	(11,618)	(31)	(13,388)	(15,114)	(31,202)	(13,344)	(172,006)	(15,862)	*9*	(187,868)
Other operating income, net	19,037	–	–	–	–	–	–	19,037			19,037
Finance costs	(60,672)	(47,952)	–	–	(5,373)	(4,220)	(4,613)	(122,830)			(122,830)
Share of profits and losses of associates	(5,106)	–	–	(4,823)	(1,908)	–	–	(11,837)	6,731	*4*	(5,106)
PROFIT/(LOSS) BEFORE TAX	36,237	(76,348)	(31)	(64,051)	(36,585)	(73,631)	(19,996)	(234,405)			(243,536)
Income tax expense	(6,809)	–	–	–	–	–	–	(6,809)			(6,809)
PROFIT/(LOSS) FOR THE YEAR	29,428	(76,348)	(31)	(64,051)	(36,585)	(73,631)	(19,996)	(241,214)			(250,345)

	The Group for the year ended 31 December 2013	Keen Delight Group for the year ended 31 December 2013	Extol Group for the year ended 31 December 2013	Chongqing Resources Group for the year ended 31 December 2013	Chengdu Resources Group for the year ended 31 December 2013	Guiyang Resources Group for the year ended 31 December 2013	Qingdao Resources Group for the year ended 31 December 2013	Consolidated Total	Pro forma adjustments	*Notes*	The Enlarged Group for the year ended 31 December 2013
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
OTHER COMPREHENSIVE INCOME/ (LOSS)											
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:											
Exchange differences on translation of foreign operations	29,928	(444)	–	–	–	–	–	29,484			29,484
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	29,928	(444)	–	–	–	–	–	29,484			29,484
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	59,356	(76,792)	(31)	(64,051)	(36,585)	(73,631)	(19,996)	(211,730)			(220,861)
Attributable to:											
Owners of the parent	77,305	(40,805)	(31)	(46,333)	(26,245)	(51,553)	(14,494)	(102,156)	(15,862)	*9*	(118,018)
Non-controlling interests	(17,949)	(35,987)	–	(17,718)	(10,340)	(22,078)	(5,502)	(109,574)	6,731	*4*	(102,843)
	59,356	(76,792)	(31)	(64,051)	(36,585)	(73,631)	(19,996)	(211,730)			(220,861)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2014

	The Group as at 30 June 2014	Keen Delight Group as at 30 September 2014	Extol Group as at 30 September 2014	Chongqing Resources Groupas at 30 September 2014	Chengdu Resources Group as at 30 September 2014	Guiyang Resources Group as at 30 September 2014	Qingdao Resources Group as at 30 September 2014	Consolidated Total	Pro forma adjustments	Notes	Sub-total for the Enlarged Group as at 30 June 2014	Pro forma adjustments (Scenario A)	Notes	The Enlarged Group as at 30 June 2014 (Scenario A)	Pro forma adjustments (Scenario B)	Notes	The Enlarged Group as at 30 June 2014 (Scenario B)
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*										
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
NON-CURRENT ASSETS																	
Property, plant and equipment	18,531	11,192	6,036	8,436	7,120	7,800	3,448	62,563			62,563			62,563			62,563
Investment properties	203,293	–	–	–	–	–	–	203,293			203,293			203,293			203,293
Prepaid land lease payments	11,110	–	–	–	–	–	–	11,110			11,110			11,110			11,110
Other intangible assets	254	126	316	–	97	–	141	934			934			934			934
Investments in associates	22,118	–	–	141,649	–	–	–	163,767	(141,649)	4	22,118			22,118			22,118
Total non-current assets	255,306	11,318	6,352	150,085	7,217	7,800	3,589	441,667			300,018			300,018			300,018
CURRENT ASSETS																	
Properties under development	4,278,030	7,887,105	3,620,972	3,892,379	522,417	1,600,530	1,860,206	23,661,639			23,661,639			23,661,639			23,661,639
Properties held for sale	210,210	–	665,460	–	–	–	–	875,670			875,670			875,670			875,670
Inventories	276,161	–	–	–	–	–	–	276,161			276,161			276,161			276,161
Trade and bills receivables	774,500	–	–	–	–	–	–	774,500			774,500			774,500			774,500
Prepayments, deposits and other receivables	260,273	616,854	29,994	133,378	49,505	259,131	45,318	1,394,453			1,394,453			1,394,453			1,394,453
Due from related companies	–	54,850	508	2,240,926	241,448	776,385	101,040	3,415,158	(3,296)	5	3,411,862			3,411,862			3,411,862
Taxes recoverable	17,545	19,812	19,280	45,875	1,123	101,077	3,785	208,497			208,497			208,497			208,497
Restricted cash	191,941	258,304	83,144	75,913	–	923,127	62,934	1,595,363			1,595,363			1,595,363			1,595,363
Cash and cash equivalents	496,676	220,863	64,389	58,939	2,276	391,817	47,219	1,282,179	(573,000)	6	1,807,525	1,927,000	8	3,734,525	1,927,000	8	3,734,525
									1,098,346	3							
Total current assets	6,505,336	9,057,789	4,483,747	6,447,410	816,769	4,052,067	2,120,502	33,483,620			34,005,670			35,932,670			35,932,670

	The Group as at 30 June 2014	Keen Delight Group as at 30 September 2014	Extol Group as at 30 September 2014	Chongqing Resources Groupas at 30 September 2014	Chengdu Resources Group as at 30 September 2014	Guiyang Resources Group as at 30 September 2014	Qingdao Resources Group as at 30 September 2014	Consolidated Total	Pro forma adjustments	*Notes*	Sub-total for the Enlarged Group as at 30 June 2014	Pro forma adjustments (Scenario A)	*Notes*	The Enlarged Group as at 30 June 2014 (Scenario A)	Pro forma adjustments (Scenario B)	*Notes*	The Enlarged Group as at 30 June 2014 (Scenario B)
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*										
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
CURRENT LIABILITIES																	
Trade and bills payables	785,088	855,326	148,206	169,184	37,797	161,970	26,307	2,183,878			2,183,878			2,183,878			2,183,878
Other payables and accruals	1,278,761	730,809	1,110,097	1,581,103	31,411	2,016,763	310,695	7,059,639	15,862	*9*	7,075,501			7,075,501			7,075,501
Due to related companies	–	539,357	535,249	1,550,700	917	7,299	27,642	2,661,164	(3,296)	*5*	2,657,868			2,657,868			2,657,868
Interest-bearing bank and other borrowings	1,441,399	6,096,991	873,150	2,240,760	736,492	1,637,858	90,816	13,117,466			13,117,466			13,117,466			13,117,466
Tax payable	2,825	8,957	4,625	–	249	40,580	172	57,408			57,408			57,408			57,408
Total current liabilities	3,508,073	8,231,440	2,671,327	5,541,747	806,866	3,864,470	455,632	25,079,555			25,092,121			25,092,121			25,092,121
NET CURRENT ASSETS	2,997,263	826,349	1,812,420	905,663	9,903	187,597	1,664,870	8,404,065			8,913,549			10,840,549			10,840,549
TOTAL ASSETS LESS CURRENT LIABILITIES	3,252,569	837,667	1,818,772	1,055,748	17,120	195,397	1,668,459	8,845,732			9,213,567			11,140,567			11,140,567
NON-CURRENT LIABILITIES																	
Interest-bearing bank and other borrowings	1,462,270	713,595	1,575,340	1,010,400	–	252,600	1,561,705	6,575,910			6,575,910			6,575,910			6,575,910
Long term payable	147,000	–	–	–	–	–	–	147,000			147,000			147,000			147,000
Deferred tax liabilities	208,615	–	66,814	–	–	–	–	275,429			275,429			275,429			275,429
Total non-current liabilities	1,817,885	713,595	1,642,154	1,010,400	–	252,600	1,561,705	6,998,339			6,998,339			6,998,339			6,998,339
Net assets	1,434,684	124,072	176,618	45,348	17,120	(57,203)	106,754	1,847,393			2,215,228			4,142,228			4,142,228

	The Group as at 30 June 2014	Keen Delight Group as at 30 September 2014	Extol Group as at 30 September 2014	Chongqing Resources Groupas at 30 September 2014	Chengdu Resources Group as at 30 September 2014	Guiyang Resources Group as at 30 September 2014	Qingdao Resources Group as at 30 September 2014	Consolidated Total	Pro forma adjustments	*Notes*	Sub-total for the Enlarged Group as at 30 June 2014	Pro forma adjustments (Scenario A)	*Notes*	The Enlarged Group as at 30 June 2014 (Scenario A)	Pro forma adjustments (Scenario B)	*Notes*	The Enlarged Group as at 30 June 2014 (Scenario B)
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*										
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*
EQUITY																	
Equity attributable to the owners of the parent																	
Issued capital	239,797	–	–	114,351	61,433	61,222	123,213	600,016	(360,219)	*6*	239,797	209,385	*7*	756,874	160,118	*7*	635,209
												307,692	*8*		235,294	*8*	
Reserves	850,968	(65,363)	162,247	(75,190)	(40,388)	(95,591)	(24,537)	712,146	(212,781)	*6*	1,581,849	1,151,615	*7*	2,991,772	1,200,882	*7*	3,113,437
									1,098,346	*3*		1,619,308	*8*		1,691,706	*8*	
									(15,862)	*9*		(1,361,000)	*7*		1,361,000	*7*	
	1,090,765	(65,363)	162,247	39,161	21,045	(34,369)	98,676	1,312,162			1,821,646			3,748,646			3,748,646
Non-controlling interests	343,919	189,435	14,371	6,187	(3,925)	(22,834)	8,078	535,231	(141,649)	*4*	393,582			393,582			393,582
Total equity	1,434,684	124,072	176,618	45,348	17,120	(57,203)	106,754	1,847,393			2,215,228			4,142,228			4,142,228

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

	The Group for the year ended 31 December 2013	Keen Delight Group for the year ended 31 December 2013	Extol Group for the year ended 31 December 2013	Chongqing Resources Group for the year ended 31 December 2013	Chengdu Resources Group for the year ended 31 December 2013	Guiyang Resources Group for the year ended 31 December 2013	Qingdao Resources Group for the year ended 31 December 2013	Consolidated total	Pro forma adjustments	*Notes*	The Enlarged Group for the year ended 31 December 2013
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Cash flows from operating activities											
Profit/(loss) before tax	36,237	(76,348)	(31)	(64,051)	(36,585)	(73,631)	(19,996)	(234,405)	6,731	*4*	(243,536)
									(15,862)	*9*	
Adjustments for:											
Finance costs	60,672	47,952	–	–	5,373	–	4,613	118,610			118,610
Share of profits and losses of associates	5,106	–	–	4,823	1,908	–	–	11,837	(6,731)	*4*	5,106
Interest income	(6,165)	(72)	–	(1,465)	(3)	(297)	(119)	(8,121)			(8,121)
Depreciation	4,081	27	–	3,178	1,799	1,316	770	11,171			11,171
Gain on disposal of items of property, plant and equipment	(721)	–	–	–	–	–	–	(721)			(721)
Amortisation of intangible assets	10	2	–	–	5	–	16	33			33
Amortisation of land lease payments	332	–	–	–	–	–	–	332			332
Impairment of goodwill	2,892	–	–	–	–	–	–	2,892			2,892
Reversal of impairment of trade receivables	(25,058)	–	–	–	–	–	–	(25,058)			(25,058)
Write-back of trade and other payables	(15,517)	–	–	–	–	–	–	(15,517)			(15,517)
Provision for obsolete inventories	2,222	–	–	–	–	–	–	2,222			2,222
Changes in fair value of investment properties	(1,326)	–	–	–	–	–	–	(1,326)			(1,326)
Gain on bargain purchase	(128,568)	–	–	–	–	–	–	(128,568)			(128,568)
Equity-settled share option expense	18,862	–	–	–	–	–	–	18,862			18,862
	(46,941)	(28,439)	(31)	(57,515)	(27,503)	(72,612)	(14,716)	(247,757)			(263,619)

	The Group for the year ended 31 December 2013	Keen Delight Group for the year ended 31 December 2013	Extol Group for the year ended 31 December 2013	Chongqing Resources Group for the year ended 31 December 2013	Chengdu Resources Group for the year ended 31 December 2013	Guiyang Resources Group for the year ended 31 December 2013	Qingdao Resources Group for the year ended 31 December 2013	Consolidated total	Pro forma adjustments	Notes	The Enlarged Group for the year ended 31 December 2013
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Increase in inventories	(40,745)	–	–	–	–	–	–	(40,745)			(40,745)
Increase in trade and bill receivables	(37,997)	–	–	–	–	–	–	(37,997)			(37,997)
Increase in properties under development	(1,648,082)	(5,493,307)	–	(285,172)	(130,475)	(869,896)	(954,087)	(9,381,019)			(9,381,019)
Increase in properties held for sale	(253,170)	–	–	–	–	–	–	(253,170)			(253,170)
Increase in prepayments, deposits and other receivables	(57,546)	(1,169,440)	–	(1,504,998)	(2,675)	(185,490)	(3,426)	(2,923,575)			(2,923,575)
(Increase)/decrease in amounts due from related companies	–	–	–	(92,567)	32,146	–	(37,881)	(98,302)	361	*5*	(97,941)
Increase/(decrease) in trade and bills payables	314,150	1,210,741	–	(492,270)	32,773	4,812	–	1,070,206			1,070,206
Increase in other payables and accruals	899,735	67,682	–	987,271	21,209	682,610	16,123	2,674,630	15,862	*9*	2,690,492
Increase/(decrease) in amounts due to related companies	–	197,250	814	1,491,708	(3,274)	24,619	12,501	1,723,618	(361)	*5*	1,723,257
Decrease in long term payable	(3,000)	–	–	–	–	–	–	(3,000)			(3,000)
Exchange differences	54,245	–	–	–	–	–	–	54,245			54,245
Cash generated from/(used in) operations	(819,351)	(5,215,513)	783	46,457	(77,799)	(415,957)	(981,486)	(7,462,866)			(7,462,866)
Interest received	2,876	72	–	1,466	3	297	119	4,833			4,833
Interest paid	(113,404)	(200,366)	–	(102,591)	(35,262)	(70,794)	(1,318)	(523,735)			(523,735)
Mainland of the People's Republic of China ("Mainland China" or the "PRC")											
corporate income tax refunded/(paid)	687	–	–	(6,694)	–	–	–	(6,007)			(6,007)
Land appreciation tax paid	(19,374)	–	–	(15,357)	(874)	–	–	(35,605)			(35,605)
Hong Kong profits tax paid	(409)	–	–	–	–	–	–	(409)			(409)
Net cash flows from/(used in) operating activities	(948,975)	(5,415,807)	783	(76,719)	(113,932)	(486,454)	(982,685)	(8,023,789)			(8,023,789)

	The Group for the year ended 31 December 2013	Keen Delight Group for the year ended 31 December 2013	Extol Group for the year ended 31 December 2013	Chongqing Resources Group for the year ended 31 December 2013	Chengdu Resources Group for the year ended 31 December 2013	Guiyang Resources Group for the year ended 31 December 2013	Qingdao Resources Group for the year ended 31 December 2013	Consolidated total	Pro forma adjustments	*Notes*	The Enlarged Group for the year ended 31 December 2013
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Cash flows from investing activities											
Interest received	4,954	–	–	–	–	–	–	4,954			4,954
Purchases of items of property, plant and equipment	(6,774)	(5,538)		(8,475)	(7,854)	(6,532)	(5,224)	(40,397)			(40,397)
Purchases of intangible assets	(66)	(32)	–	–	(125)	–	(115)	(338)			(338)
Proceeds from disposal of items of property, plant and equipment	3,349	–	–	–	–	–	–	3,349			3,349
Increase in time deposits with original maturity of over three months when acquired	(340)	–	–	–	–	–	–	(340)			(340)
Advance of entrusted loans to related companies	(63,950)	–	–	–	–	–	–	(63,950)			(63,950)
Repayment of entrusted loans from related companies	113,750	–	–	–	–	–	–	113,750			113,750
Decrease/(increase) in restricted cash	(82,811)	(40,698)	–	3,629	–	(234,387)	(17,843)	(372,110)			(372,110)
Acquisition of subsidiaries	303,738	–	–	–	–	–	–	303,738			303,738
Acquisition of subsidiaries under common control	–	(10)	(10)	–	(26,516)	–	–	(26,536)	212,503	*6, 7*	1,284,313
									1,098,346	*3*	
Investments in associates	–	–	–	(12,035)	(6,129)	–	–	(18,164)	18,164	*4*	–
Decrease/(increase) in pledged deposits	–	–	–	(448,255)	–	–	–	(448,255)			(448,255)
Net cash flows from/(used in) investing activities	271,850	(46,278)	(10)	(465,136)	(40,624)	(240,919)	(23,182)	(544,299)			784,714

	The Group for the year ended 31 December 2013	Keen Delight Group for the year ended 31 December 2013	Extol Group for the year ended 31 December 2013	Chongqing Resources Group for the year ended 31 December 2013	Chengdu Resources Group for the year ended 31 December 2013	Guiyang Resources Group for the year ended 31 December 2013	Qingdao Resources Group for the year ended 31 December 2013	Consolidated total	Pro forma adjustments	*Notes*	The Enlarged Group for the year ended 31 December 2013
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
Cash flows from financing activities											
Proceeds from issue of shares	260,254	–	–	–	–	–	–	260,254	1,927,000	*8*	2,187,254
New bank loans	1,697,986	546,000	–	328,299	–	–	119,956	2,692,241			2,692,241
Repayment of bank loans	(1,119,245)	–	–	(581)	–	–	–	(1,119,826)			(1,119,826)
New trust receipt loans	12,112	–	–	–	–	–	–	12,112			12,112
New other loans	578,198	6,939,107	–	2,757,287	530,442	2,716,321	1,479,393	15,000,748			15,000,748
Repayment of other loans	(311,250)	(1,960,571)	–	(2,246,957)	(374,388)	(1,782,022)	(656,914)	(7,332,102)			(7,332,102)
Increase in long term payable	62,071	–	–	–	–	–	–	62,071			62,071
Capital contributions from non-controlling shareholders	18,947	54,421	–	–	–	–	18,668	92,036	(18,164)	*4*	73,872
Net cash flows from financing activities	1,199,073	5,578,957	–	838,048	156,054	934,299	961,103	9,667,534			11,576,370
Net increase/(decrease) in cash and cash equivalents	521,948	116,872	773	296,193	1,498	206,926	(44,764)	1,099,446			4,337,295
Cash and cash equivalents at the beginning of the year	279,544	10	1,000	7,871	4,768	3,816	61,373	358,382			358,382
Effect of foreign exchange rate changes, net	3,109	(443)	–	2,458	293	1,635	1,992	9,044			9,044
Cash and cash equivalents at the end of the year	804,601	116,439	1,773	306,522	6,559	212,377	18,601	1,466,872			4,704,721

Notes:

1. For the preparation of unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the balances are extracted from the audited financial statements of the Group for the year ended 31 December 2013 as set out in Appendix I to this circular. For the preparation of unaudited pro forma consolidated statement of financial position, the balances are extracted from the unaudited financial statements of the Group for the six months ended 30 June 2014 as set out in Appendix I to this circular.

2. The balances are extracted from the audited financial information of Keen Delight Group, Extol Group, Chongqing Resources Group, Chengdu Resources Group, Guiyang Resources Group and Qingdao Resources Group as set out in Appendix II(A), Appendix II(B), Appendix II(C), Appendix II(D), Appendix II(E) and Appendix II(F), respectively, to this circular and were translated to Hong Kong dollars at translation rates of RMB100=HK$126.30 in respect of unaudited pro forma consolidated statement of financial position and RMB100=HK$126.27 in respect of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, if applicable.

3. The adjustment represents capital injection of RMB729,999,994 (equivalent to approximately HK$921,600,800) and RMB139,999,994 (equivalent to approximately HK$176,745,353) by Fine Noble (as defined in this circular) into Extol and Keen Delight, respectively, prior to the completion of the Acquisition.

4. The adjustment represents reclassification of investments in Chengdu Lihui and Chongqing Fangyuan (as defined in this circular) from associates to non wholly-owned subsidiaries of the Enlarged Group.

5. The adjustment represents eliminations of balances between related companies.

6. The adjustment represents purchase consideration of HK$573,000,000 for Onshore Acquisition of entire issued shares of Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources (as defined in this circular) to be satisfied by cash. As the Company's controlling shareholder controlled Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources immediately before the Acquisition and continues to control the Chongqing Resources, Chengdu Resources, Guiyang Resources and Qingdao Resources after the Acquisition through the Company, the pro forma financial information of the Enlarged Group has been prepared on the basis of business combination of entities under common control using the pooling-of-interest method. Accordingly, the assets and liabilities of Chongqing Resources Group, Chengdu Resources Group, Guiyang Resources Group and Qingdao Resources Group are reflected at their carrying values as at the date of acquisition. There is no goodwill or excess over the costs of combination as a result of the combination.

7. The adjustment represents purchase consideration of approximately HK$1,361,000,000 for Offshore Acquisition of entire issued shares of Keen Delight and Extol (as defined in this circular) to be satisfied by the Consideration Shares. The adjustment illustrates the financial effects where the Placement Shares are issued at the minimum and maximum issue price:

   (b) Scenario A: Issuance of 2,093,846,153 Consideration Shares and proceeds from 3,076,923,076 Placement Shares at an assumed value of HK$0.65 per Share.

   (b) Scenario B: Issuance of 1,601,176,470 Consideration Shares and proceeds from 2,352,941,176 Placement Shares at an assumed value of HK$0.85 per Share.

   As the Company's controlling shareholder controlled Keen Delight and Extol immediately before the Acquisition and continues to control the Keen Delight and Extol after the Acquisition through the Company, the pro forma financial information of the Enlarged Group has been prepared on the basis of business combination of entities under common control using the pooling-of-interest method. Accordingly, the assets and liabilities of Keen Delight Group and Extol Group are reflected at their carrying values as at the date of acquisition. There is no goodwill or excess over the costs of combination as a result of the combination.

8. Pursuant to the Company's announcement dated 30 November 2014, the issue price for the Placement Shares (as defined in this circular) will be within the range of HK$0.65 to HK$0.85. The adjustment illustrates the financial effects where the Placement Shares are issued at the minimum and maximum issue price:

   (a) Scenario A: Issuance of 2,093,846,153 Consideration Shares and proceeds from 3,076,923,076 Placement Shares at an assumed value of HK$0.65 per Share. The placing commission of approximately HK$73,000,000, would be paid by the Company upon issue of the Placement Shares.

   (b) Scenario B: Issuance of 1,601,176,470 Consideration Shares and proceeds from 2,352,941,176 Placement Shares at an assumed value of HK$0.85 per Share. The placing commission of approximately HK$73,000,000, would be paid by the Company upon issue of the Placement Shares.

9. The adjustment represents the accrual for estimated legal and professional costs directly attributable to the Acquisition of approximately HK$15,862,000. The pro forma adjustment is not expected to have continuing effect on the Enlarged Group.

10. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2014 where applicable.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this circular in respect of the pro forma financial information of the Group.

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

2 December 2014

The Board of Directors
Peking University Resources (Holdings) Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information (the "Pro Forma Financial Information") of Peking University Resources (Holdings) Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The Pro Forma Financial Information consists of the pro forma consolidated statement of financial position as at 30 June 2014, the pro forma consolidated statement of profit or loss and other comprehensive income, the pro forma consolidated statement of cash flows for the year ended 31 December 2013 and related notes as set out on pages III-1 to III-13 of the circular issued by the Company dated 2 December 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages III-1 to III-13 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisitions of 100% equity interest in Chongqing Resources, Chengdu Resources, Guiyang Resources, Qingdao Resources, Keen Delight and Extol (as defined in the Circular) (the "Acquisition") on the Group's financial position as at 30 June 2014 and the Group's financial performance and cash flows for the year ended 31 December 2013 as if the transaction had taken place at 30 June 2014 and 1 January 2013, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2014, and the Group's financial performance and cash flows have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2013, on which an auditors' report has been published.

Directors' responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to

Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

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

The purpose of Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(I) MANAGEMENT DISCUSSION AND ANALYSIS OF KEEN DELIGHT GROUP

a) Overview

Keen Delight is a limited liability company incorporated in British Virgin Islands. The principal activity of Keen Delight and its subsidiaries is property development. Keen Delight acquired (i) 63% equity interest in Superb Virtue together with its wholly owned subsidiary Hong Kong Urban Development and (ii) 100% equity interest in Hong Kong PKU in August 2014 and July 2013, respectively.

Superb Virtue and its subsidiary Hong Kong Urban Development are both investment holding companies incorporated in Hong Kong with limited liability. Hong Kong Urban Development acquired 81% equity interests in Chongqing Fangyuan in August 2014. Chongqing Fangyuan is a limited liability company incorporated in PRC and is principally engaged in property development. Chongqing Fangyuan has interest in a residential development project known as PKU Resources – Yannan Project in Chongqing, China.

Hong Kong PKU is an investment holding company incorporated in Hong Kong with limited liability. Hong Kong PKU is currently interested in 70% of the equity interests in Changsha Longxin, 51% of the equity interests in Foshan Resources and 51% of the equity interests in Chengdu Lihui. Changsha Longxin, Foshan Resources and Chengdu Lihui are limited liability companies incorporated in PRC in August 2013, November 2013 and July 2013, respectively, principally engaged in property development. Changsha Longxin has interest in a commercial property development project known as PKU Resources – Time Project in Changsha city, Hunan Province, China. Foshan Resources has interest in a residential and commercial development project known as the PKU Resources – Boya Binjiang Project in Foshan city, Guangdong Province, China. Chengdu Lihui has interest in a residential town and commercial development project known as PKU Resources – Yannan International Project in Chengdu city, Sichuan Province, China.

b) Financial Overview

1. For the year ended 31 December 2011

Profit and loss

For the year ended 31 December 2011, Keen Delight Group has not commenced any business operation and therefore no revenue was generated.

Loss for the year attributable to the owners of the parent was approximately HK$11,000, being the administrative expenses incurred.

Liquidity, financial position and capital structure

During the year ended 31 December 2011, Keen Delight Group funded its operations mainly by amount due to related companies. As at 31 December 2011, Keen Delight Group had cash and cash equivalents of approximately HK$10,000, all denominated in HK$.

During the year ended 31 December 2011, Keen Delight Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2011, the current assets and current liabilities of Keen Delight Group were approximately HK$10,000 and HK$21,000, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 0.5 times as at 31 December 2011.

Keen Delight Group's total assets and total liabilities as at 31 December 2011 amounted to approximately HK$10,000 and HK$21,000, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 210.0% as at 31 December 2011.

Significant acquisition and disposal

There was no material acquisition and disposal of subsidiary and associated company by Keen Delight Group during the year ended 31 December 2011.

Significant investments

There was no significant investments held by Keen Delight Group as at 31 December 2011.

Charges on Keen Delight Group's assets

As at 31 December 2011, none of Keen Delight Group's assets was pledged.

Contingent liabilities

Keen Delight Group did not have any significant contingent liabilities as at 31 December 2011.

Dividend

Keen Delight Group did not declare or pay dividend for the year ended 31 December 2011.

2. ***For the year ended 31 December 2012***

Profit and loss

For the year ended 31 December 2012, Keen Delight Group has not commenced any business operation and therefore no revenue was generated.

Loss for the year attributable to the owners of the parent was approximately HK$5,000, being the administrative expenses incurred, was approximately HK$6,000 lower than that for the year ended 31 December 2011.

Liquidity, financial position and capital structure

During the year ended 31 December 2012, Keen Delight Group funded its operations mainly by amount due to related companies. As at 31 December 2012, Keen Delight Group had cash and cash equivalents of approximately HK$10,000, all denominated in HK$.

During the year ended 31 December 2012, Keen Delight Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2012, the current assets and current liabilities of Keen Delight Group were approximately HK$10,000 and HK$26,000, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 0.4 times as at 31 December 2012, decreased from approximately 0.5 times as at 31 December 2011. This is mainly attributable to an increase in amount due to related companies of approximately HK$5,000.

Keen Delight Group's total assets and total liabilities as at 31 December 2012 amounted to approximately HK$10,000 and HK$26,000, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 260.0% as at 31 December 2012. The increase from 210.0% as at 31 December 2011 was mainly attributable to the increase in amount due to related companies.

Significant acquisition and disposal

There was no material acquisition and disposal of subsidiary and associated company by Keen Delight Group during the year ended 31 December 2012.

Significant investments

There was no significant investments held by Keen Delight Group as at 31 December 2012.

Charges on Keen Delight Group's assets

As at 31 December 2012, none of Keen Delight Group's assets was pledged.

Contingent liabilities

Keen Delight Group did not have any significant contingent liabilities as at 31 December 2012.

Dividend

Keen Delight Group did not declare or pay dividend for the year ended 31 December 2012.

3. For the year ended 31 December 2013

Profit and loss

For the year ended 31 December 2013, Keen Delight Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately HK$72,000 for the year was contributed by bank interest income. Selling and marketing expenses for the year were approximately HK$16.9 million, mainly represented promotion expenses incurred for the presale of Yannan Project starting from December 2013. Administrative expenses for the year were approximately HK$11.6 million, which was approximately HK$11.6 million higher than that for the year ended 31 December 2012. The increase was mainly due to the operation commencement of Chongqing Fangyuan, which recruited 58 employees in 2013. Finance costs were approximately HK$48.0 million in 2013, which represented approximately HK$188.9 million interest on loans from PKU Property and HK$2.8 million interest on loans from 北京方正信息技術有限公司 (Beijing Founder Information Technology Company Limited*), netted off by HK$143.8 million interest capitalized.

Loss for the year attributable to the owners of the parent was approximately HK$40.6 million. Comparing with the loss attributable to the owners of the parents of approximately HK$5,000, the loss was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs incurred for Yannan Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Keen Delight Group funded its operations mainly by interest-bearing bank and other borrowings and amounts due to related companies, which were subject to little seasonality. As at 31 December 2013, Keen Delight Group had cash and cash equivalents (excluding restricted cash) of approximately HK$116.4 million, of which approximately HK$91.0 million and HK$25.3 million were denominated in RMB and USD respectively, with the remaining balance denominated in HK$. As at 31 December 2013, Keen Delight Group had bank and other borrowings of approximately HK$5,524.5 million, of which HK$801.8 million was due by 2014 and the remaining was due by 2015. The average effective interest rate on the bank and other borrowings was approximately 10.4%. The interest rate of bank and other borrowings were fixed. Except for bank borrowings of HK$546.0 million were denominated in USD, all bank and other borrowings were denominated in RMB.

During the year ended 31 December 2013, Keen Delight Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Keen Delight Group were approximately HK$6,973.1 million and HK$2,278.3 million, respectively. The current ratio increased from 0.4 times as at 31 December 2012 to approximately 3.1 times as at 31 December 2013, mainly attributable to increase in properties under development, which increased from nil as at 31 December 2012 to HK$5,645.7 million as at 31 December 2013.

Keen Delight Group's total assets and total liabilities as at 31 December 2013 amounted to approximately HK$6,978.7 million and HK$7,001.1 million, respectively. The gearing ratio decreased from 260% as at 31 December 2012 to 100.3% as at 31 December 2013, mainly attributable to the increase in properties under development.

Significant acquisition and disposal

Save for the acquisition of Hong Kong PKU Group, there was no material acquisition or disposal of subsidiary and associated company by Keen Delight Group during the year ended 31 December 2013.

Significant investments

There was no significant investments held by Keen Delight Group as at 31 December 2013.

Charges on Keen Delight Group's assets

Pursuant to relevant regulations in the PRC, Keen Delight Group was required to place approximately HK$40.7 million at designated bank accounts as deposits for the construction of the Yannan Project.

Contingent liabilities

Keen Delight Group did not have any significant contingent liabilities as at 31 December 2013.

Dividend

Keen Delight Group did not declare or pay dividend for the year ended 31 December 2013.

4. For the nine months ended 30 September 2014

Profit and loss

For the nine months ended 30 September 2014, Keen Delight Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately HK$1.8 million for the period was contributed by the bank interest income and foreign exchange gain. Selling and marketing expenses for the period was approximately HK$59.5 million, which increased from HK$409,000 for the period ended 30 September 2013. Administrative expenses increased from HK$645,000 for the nine months ended 30 September 2013 to approximately HK$35.6 million for the nine months ended 30 September 2014. The increase of administration expenses was mainly due to the operation commencement of Changsha Longxin, Chengdu Lihui and Foshan Resources in the second half year of 2013. Finance costs were approximately HK$18.2 million, which represented interest on bank loans of approximately HK$27.2 million, interest on loans from PKU Property of approximately HK$438.9 million, and interest on loans from 北京方正信息技術有限公司 (Beijing Founder Information Technology Company Limited*) of approximately HK$7.3 million, netted off by interest capitalized of approximately HK$455.3 million.

Loss for the period attributable to the owners of the parent was approximately HK$59.9 million. Comparing with loss attributable to the owners of the parents of approximately HK$2.0 million for the nine months ended 30 September 2013, the increase in net loss recorded in the period was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs.

Liquidity, financial position and capital structure

During the period ended 30 September 2014, Keen Delight Group funded its operations mainly by interest-bearing bank and other borrowings, which were subject to little seasonality, and amounts due to related companies. As at 31 September 2014, Keen Delight Group had cash and cash equivalents (excluding restricted cash) of approximately HK$220.9 million, of which approximately HK$198.3 million and approximately HK$22.6 million were denominated in RMB and USD, respectively, with the remaining balance in HK$. As at 30 September 2014, Keen Delight Group had bank and other borrowings of approximately HK$6,810.6 million, of which approximately HK$6,097.0 million was due by 2015 and the remaining was due by 2016. The average effective interest rate was approximately 10.0% to 11.3%. The interest rate of bank and other borrowings were fixed. Except for bank borrowings of HK$546.0 million were denominated in USD, all bank and other borrowings were denominated in RMB.

During the period ended 30 September 2014, Keen Delight Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 30 September 2014, the current assets and current liabilities of Keen Delight Group were approximately HK$9,057.8 million and HK$8,231.4 million, respectively. The current ratio was approximately 1.1 times as at 30 September 2014 (as at 31 December 2013: 3.1 times).

Keen Delight Group's total assets and total liabilities as at 30 September 2014 were approximately HK$9,069.1 million and HK$8,945.0 million, respectively. The gearing ratio was 98.6% as at 30 September 2014 (31 December 2013: 100.3%).

Significant acquisition and disposal

Save for the acquisition of Superb Virtue Group, there was no material acquisition or disposal of subsidiary and associated company by Keen Delight Group during the period ended 30 September 2014.

Significant investments

There was no significant investments held by Keen Delight Group as at 30 September 2014.

Charges on Keen Delight Group's assets

Pursuant to relevant regulations in the PRC, Keen Delight Group was required to place approximately HK$258.3 million at designated bank accounts as deposits for the construction of Yannan Project.

As at 30 September 2014, certain of properties under development of Yannan International Project with a carrying amount of approximately HK$1,047.1 million were pledged to secure bank loans of approximately HK$644.1 million granted to PKU Resources Group.

As at 30 September 2014, certain of properties under development of Yannan Project with a carrying value of approximately HK$2,003.5 million were pledged to secure certain of Keen Delight Group's current bank loans and non-current bank and other loans.

Contingent liabilities

As at 30 September 2014, Keen Delight Group had contingent liabilities of approximately HK$247.4 million given to banks in respect of mortgage loans for certain purchasers of Keen Delight Group's properties.

Dividend

Keen Delight Group did not declare or pay dividend for the period ended 30 September 2014.

c) Employment and Remuneration Policy

Keen Delight Group had a total of nil, nil, 115 and 171 employees for the three years ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Keen Delight Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Keen Delight Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Keen Delight Group are members of a state-managed retirement benefit scheme operated by the local government. Keen Delight Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Keen Delight Group with respect to the retirement benefit scheme is to make the specified contributions. During the three years ended 31 December 2013 and the nine months ended 30

September 2014, the total employee benefit expenses of Keen Delight Group (including total contributions to the retirement benefit schemes) was approximately nil, nil, RMB6.9 million and RMB20.8 million, respectively.

d) Outlook and future prospects of Keen Delight Group

The major business of Keen Delight Group is the development of the PKU Resources – Yannan Project in Chongqing city, the PKU Resources – Boya Binjiang Project in Foshan city, the PKU Resources – Time Project in Changsha city and the PKU Resources – Yannan International Project in Chengdu city.

The PKU Resources – Yannan Project, a residential project, is located at Dadukou Area of Jiulongpo District, which is a developed area of Chongqing city. The expected development period of Phase I and II of the PKU Resources – Yannan Project are expected to be from September 2013 to May 2015 and from May 2014 to December 2015, respectively. The project is at approximately 50 minute driving distance to Chongqing Jiangbei International Airport and at close proximity to the city centre of Chongqing city.

The PKU Resources – Boya Binjiang Project, a residential and commercial development project, is located in Sanshui District, which is a well-established area in Foshan city, Guangdong province. It is situated adjacent to Beijiang River. The expected development period of Phase I of the development is expected to be from January 2014 to June 2016. The project is at approximately an hour driving distance to Guangzhou Baiyun International Airport and to the city centre of Foshan city. Guangdong province is ranked first in China in terms of nominal GDP in 2013.

The PKU Resources – Time Project, a commercial development project, is located in Yanghu Area of Yuelu District, which is a newly-developing area in Changsha city, Hunan province. It is situated adjacent to one of the largest wetland park in Central-Southern China, Changsha Yanghu Wetland Park. The project is at proximity to Changsha Huanghua International Airport and to the city centre of Changsha city. Hunan province is ranked tenth in China in terms of nominal GDP in 2013.

The PKU Resources – Yannan International Project, a residential town and commercial development project, is located in Yingchunqiao Community of Shuangliu County, which is a newly-developing area in Chengdu, Sichuan province. The expected development period of Phase I and Phase II of the development are expected to be from February 2014 to July 2015 and from July 2014 to March 2016, respectively. The project is at close proximity to Chengdu Shuangliu International Airport and at approximately 40 minutes driving distance to the city centre of Chengdu city. Sichuan province is ranked eighth in China in terms of nominal GDP in 2013.

It is believed that the large-scale residential development of the PKU Resources – Yannan Project, PKU Resources – Boya Binjiang Project, the PKU Resources – Time Project and the PKU Resources – Yannan International Project will be well-received by potential buyers and will generate long term return on investment for the Group.

(II) MANAGEMENT DISCUSSION AND ANALYSIS OF EXTOL GROUP

a) Overview

Extol is a limited liability company incorporated in British Virgin Islands and is principally engaged in property development. Extol acquired 100% of the equity interests in Hong Kong Yingfeng in July 2013, which in turn owns 100% of the equity interests of Chongqing Yingfeng and 70% equity interests in Wuhan Tianhe. Chongqing Yingfeng and Wuhan Tianhe was established in 2006 and 2013, respectively.

Hong Kong Yingfeng is a limited liability company incorporated in Hong Kong principally engaged in investment holding.

Chongqing Yingfeng is a limited liability incorporated in the PRC principally engaged in property development. Chongqing Yingfeng has interest in a residential property development project known as PKU Resources – Jiangshan Mingmen Project in Chongqing city, China.

Wuhan Tianhe is a limited liability company incorporated in PRC principally engaged in property development. Wuhan Tianhe has interest in a residential property development project known as PKU Resources – Shanshuinianhua Project in Wuhan city, Hubei province, China.

b) Financial Overview

1. For the year ended 31 December 2011

Profit and loss

For the year ended 31 December 2011, Extol Group has not commenced any business operation, and therefore no revenue was generated.

Loss for the year attributable to the owners of the parent was approximately HK$15,000, being the administrative expenses incurred.

Liquidity, financial position and capital structure

During the year ended 31 December 2011, Extol Group funded its operations mainly by amount due to a related company. As at 31 December 2011, Extol Group had cash and cash equivalents of approximately HK$1.0 million, all denominated in HK$.

During the year ended 31 December 2011, Extol Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2011, the current assets and current liabilities of Extol Group were approximately HK$1.0 million and HK$1.0 million, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 1.0 times as at 31 December 2011.

Extol Group's total assets and total liabilities as at 31 December 2011 amounted to approximately HK$1.0 million and HK$1.0 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 102.3% as at 31 December 2011.

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Extol Group at 31 December 2011.

Significant Investment

There was no significant investments held by Extol Group as at 31 December 2011.

Charges on Extol Group's assets

As at 31 December 2011, none of Extol Group's assets was pledged.

Contingent liabilities

Extol Group did not have any significant contingent liabilities as at 31 December 2011.

Dividend

Extol Group did not declare or pay dividend for the year ended 31 December 2011.

2. *For the year ended 31 December 2012*

Profit and loss

For the year ended 31 December 2012, Extol Group has not commenced any business operation, and therefore no revenue was generated.

Loss for the year attributable to the owners of the parent was approximately HK$4,000, being the administrative expenses incurred.

Liquidity, financial position and capital structure

During the year ended 31 December 2012, Extol Group funded its operations mainly by amount due to a related company. As at 31 December 2012, Extol had cash and cash equivalents of approximately HK$1.0 million, all denominated in HK$.

During the year ended 31 December 2012, Extol Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2012, the current assets and current liabilities of Extol Group were approximately HK$1.0 million and HK$1.0 million, respectively. The current ratio remained flat at approximately 1.0 times as at 31 December 2012 (31 December 2011: 1.0 times).

Extol Group's total assets and total liabilities as at 31 December 2012 amounted to approximately HK$1.0 million and HK$1.0 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 102.7% as at 31 December 2012 (31 December 2011: 102.3%).

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Extol Group at 31 December 2012.

Significant investment

There was no significant investments held by Extol Group as at 31 December 2012.

Charges on Extol Group's assets

As at 31 December 2012, none of Extol Group's assets was pledged.

Contingent liabilities

Extol Group did not have any significant contingent liabilities as at 31 December 2012.

Dividend

Extol Group did not declare or pay dividend for the year ended 31 December 2012.

3. For the year ended 31 December 2013

Profit and loss

For the year ended 31 December 2013, Extol Group has not completed any property development project and therefore no revenue was generated.

Loss for the year attributable to the owners of the parent was approximately HK$31,000, being the administrative expenses incurred.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Extol Group funded its operations mainly by amount due to a related company. As at 31 December 2013, Extol had cash and cash equivalents of approximately HK$1.8 million, all denominated in HK$.

During the year ended 31 December 2013, Extol Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Extol Group were approximately HK$1.8 million and HK$1.8 million, respectively. The current ratio remained flat at approximately 1.0 times as at 31 December 2013 (31 December 2012: 1.0 times).

Extol Group's total assets and total liabilities as at 31 December 2013 amounted to approximately HK$1.8 million and HK$1.8 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 103.8% as at 31 December 2013 (31 December 2012: 102.7%).

Significant acquisition and disposal

Save for the acquisition of Hong Kong Yingfeng on July 2013, there was no material acquisition or disposal of subsidiary and associated company by Extol Group during the year ended 31 December 2013.

Significant Investment

There was no significant investments held by Extol Group as at 31 December 2013.

Charges on Extol Group's assets

As at 31 December 2013, none of Extol Group's assets was pledged.

Contingent liabilities

Extol Group did not have any significant contingent liabilities as at 31 December 2013.

Dividend

Extol Group did not declare or pay dividend for the year ended 31 December 2013.

4. *For the nine months ended 30 September 2014*

Profit and loss

Extol Group's revenue for the period ended 30 September 2014 was approximately HK$747.8 million, representing income from sales of residential units in PKU Resources – Jiangshan Mingmen Project. Total GFA of property sold was 104,569 sq.m. Gross profit for the period was approximately HK$93.0 million, representing gross profit margin of approximately 12.4%.

Extol Group had gain on bargain purchase of approximately HK$92.3 million for the nine months ended 30 September 2014, from the acquisition of 100% equity interests in Chongqing Yingfeng and Wuhan Tianhe. Other income for the period was approximately HK$501,000, which are contributed by bank interest income. Selling and marketing expenses for the nine months ended 30 September 2014 were approximately HK$18.1 million, which mainly represented promotion expenses of HK$10.2 million and staff costs of HK$3.6 million incurred by Chongqing Yingfeng. Administrative expenses for the nine months ended 30 September 2014 were approximately HK$10.1 million, which primarily included staff costs of HK$5.0 million and travelling and communication expenses of HK$1.4 million.

Profit for the period attributable to the owners of the parent was approximately HK$161.9 million. Comparing with loss attributable to the owners of the parent of approximately HK$15,000 for the nine months ended

30 September 2013, the net profit in 2014 was primarily attributable to the income from sales of residential units in PKU Resources – Jiangshan Mingmen Project.

Liquidity, financial position and capital structure

During the nine months ended 30 September 2014, Extol Group funded its operations mainly by interest-bearing bank and other borrowings and amounts due to related companies, which were subject to little seasonality. As at 30 September 2014, Extol Group had cash and cash equivalents (excluding restricted cash) of approximately HK$64.4 million. Approximately HK$63.4 million of the cash and bank balance (excluding restricted cash) was denominated in RMB and the remaining was denominated in HK$. As at 30 September 2014, Extol Group had bank and other borrowings of approximately HK$2,448.5 million. Approximately HK$52.2 million was due by 2014, approximately HK$821.0 million was due by 2015 and the remaining was due by 2016. The bank and other borrowings were denominated in RMB with an average effective interest rate of 12.0-13.7%.

During the period ended 30 September 2014, Extol Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 30 September 2014, the current assets and current liabilities of Extol Group were approximately HK$4,483.7 million and HK$2,671.3 million, respectively. The current ratio increased from approximately 1.0 times as at 31 December 2013 to approximately 1.7 times as at 30 September 2014, mainly attributable to increase in properties under development, netted off by increase in other payables and accruals.

Extol Group's total assets and total liabilities as at 30 September 2014 amounted to approximately HK$4,490.1 million and HK$4,313.5 million, respectively. The gearing ratio was approximately 96.1% as at 30 September 2014 (31 December 2013: 103.8%).

Significant acquisition and disposal

Save for the acquisition of Chongqing Yingfeng and Wuhan Tianhe in March 2014, there was no material acquisition or disposal of subsidiary and associated company by Extol Group during the period ended 30 September 2014.

Significant investments

There was no significant investments held by Extol Group as at 30 September 2014.

Charges on Extol Group's assets

As at 30 September 2014, certain of Extol Group's properties under development with a carrying value of approximately HK$1,208.1 million were pledged to secure bank and other loans of approximately HK$1,264.7 million granted to Extol Group.

As at 30 September 2014, certain of Extol Group's properties held for sale with a carrying value of approximately HK$651.8 million were pledged to secure bank and other loans of HK$1,264.7 million granted to Extol Group.

Pursuant to relevant regulations in the PRC, Extol Group are required to place certain amounts at designated bank account as deposits for the construction of the relevant properties. As at 30 September 2014, such deposits of Extol Group amounted to approximately HK$61.6 million. In addition, as at 30 September 2014, certain of Extol Group's restricted bank balance of HK$21.5 million were pledged to receive bank loans granted to Extol Group.

Contingent liabilities

As at 30 September 2014, Extol Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Extol Group's properties amounting to approximately HK$201.5 million.

Dividend

Extol Group did not declare or pay dividend for the period ended 30 September 2014.

c) Employment and Remuneration Policy

Extol Group had a total of nil, nil, nil and 53 employees for the three years ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Extol Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Extol Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Extol Group are members of a state-managed retirement benefit scheme operated by the local government. Extol Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Extol Group with respect to the retirement benefit scheme is to make the specified contributions. During the three years ended 31 December 2013 and the nine months period ended 30 September 2014, the total employee benefit expenses of Extol Group (including total contributions to the retirement benefit schemes) was approximately nil, nil, nil and HK$6.6 million, respectively.

d) Outlook and future prospects of Extol Group

As the only business of Extol Group is the holding of 100% of Hong Kong Yingfeng which in term has 100% interest in Chongqing Yingfeng Group, for the outlook and future prospects of Chongqing Yingfeng Group, please refer to sub-section headed "d. Outlook and future prospects of Chongqing Yingfeng Group" in the section headed "(VII) MANAGEMENT DISCUSSION AND ANALYSIS OF CHONGQING YINGFENG GROUP" in this Appendix.

(III) MANAGEMENT DISCUSSION AND ANALYSIS OF CHONGQING RESOURCES GROUP

a) Overview

Chongqing Resources is a limited liability company incorporated in the PRC and is principally engaged in property development. Chongqing Resources currently owns 70% equity interests in Chongqing Yingpu and 70% of the equity interests in Chongqing Yuefeng, established in May 2012 and February 2014, respectively. Chongqing Resources has 19% interest in Chongqing Fangyuan since June 2013.

Chongqing Yingpu is a limited liability company incorporated in PRC principally engaged in property development. It has interest in a residential and commercial property development project known as PKU Resourcess – Boya Project in Chongqing city, China.

Chongqing Yuefeng is a limited liability company incorporated in PRC principally engaged in property development. Chongqing Yuefeng has interest in a residential property development project known as PKU Resources – Yuelai Project in Chongqing city, China.

Chongqing Fangyuan is a limited liability company incorporated in PRC. It has interest in a residential property development project known as PKU Resources – Yannan Project in Chongqing city, China.

b) Financial Overview

1. For the year ended 31 December 2011

Profit and loss

For the year ended 31 December 2011, Chongqing Resources Group has not commenced any business operation, and therefore no revenue was generated.

Loss for the year attributable to the owners of the parent was approximately RMB89,000, being the administrative expenses incurred.

Liquidity, financial position and capital structure

During the year ended 31 December 2011, Chongqing Resources Group funded its operations mainly by internal resources. As at 31 December 2011, Chongqing Resources Group had cash and cash equivalents of approximately RMB115,000, all denominated in RMB.

During the year ended 31 December 2011, Chongqing Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2011, the current assets and current liabilities of Chongqing Resources Group were approximately RMB20.1 million and RMB204,000, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 98.6 times as at 31 December 2011.

Chongqing Resources Group's total assets and total liabilities as at 31 December 2011 amounted to approximately RMB20.1 million and RMB204,000, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 1.0% as at 31 December 2011.

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Chongqing Resources Group during the year ended 31 December 2011.

Significant investments

There was no significant investments held by Chongqing Resources Group as at 31 December 2011.

Charges on Chongqing Resources Group's assets

As at 31 December 2011, none of Chongqing Resources Group's assets was pledged.

Contingent liabilities

Chongqing Resources Group did not have any significant contingent liabilities as at 31 December 2011.

Dividend

Chongqing Resources Group did not declare or pay dividend for the year ended 31 December 2011.

2. *For the year ended 31 December 2012*

Profit and loss

For the year ended 31 December 2012, Chongqing Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB43,000 for the year was contributed by bank interest income. Selling and marketing expenses and administrative expenses in 2012 were RMB2.3 million and RMB5.9 million, respectively. Selling and marketing expenses mainly included promotion expenses of RMB1.0 million and staff cost of RMB500,000. Administrative expenses primarily represented staff cost of RMB2.7 million.

Loss for the year attributable to the owners of the parent was approximately RMB5.8 million. Comparing with the loss attributable to the owners of the parent of approximately RMB89,000 for the year ended 31 December 2011, the increase was primarily attributable to the increase in selling and marketing expenses and administrative expenses incurred by Chongqing Yingpu for the marketing of PKU Resources – Boya Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2012, Chongqing Resources Group funded its operations mainly by other borrowings, which were subject to little seasonality. As at 31 December 2012, Chongqing Resources Group had cash and cash equivalents of approximately RMB6.4 million, all denominated in RMB. As at 31 December 2012, Chongqing Resources Group had loans from PKU Resourcess Group of approximately RMB617.0 million due by 2014 with an effective interest rate of 11.5-15.0%. The loans were denominated in RMB with fixed interest rate.

During the year ended 31 December 2012, Chongqing Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2012, the current assets and current liabilities of Chongqing Resources Group were approximately RMB1,329.0 million and RMB615.5 million, respectively. The current ratio decreased from approximately 98.6 times as at 31 December 2011 to approximately 2.2 times as at 31 December 2012. This is mainly due to an increase in trade payables, netted off by an increase in properties under development.

Chongqing Resources Group's total assets and total liabilities as at 31 December 2012 amounted to approximately RMB1,333.2 million and RMB1,232.5 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, increased from approximately 1.0% as at 31 December 2011 to approximately 92.4% as at 31 December 2012, mainly attributable to an increase in trade payables and other borrowings.

Significant acquisition and disposal

Save for the incorporation of Chongqing Yingpu, there was no material acquisition or disposal of subsidiary and associate company by Chongqing Resources Group during the year ended 31 December 2012.

Significant Investment

There was no significant investments held by Chongqing Resources Group as at 31 December 2012.

Charges on Chongqing Resources Group's assets

Pursuant to relevant regulations in the PRC, Chongqing Resources Group are required to place certain amounts at designated bank account as deposits for the construction of the PKU Resources – Boya Project. As at 31 December 2012, such deposits of Chongqing Resources Group amounted to approximately RMB10.0 million.

Contingent liabilities

Chongqing Resources Group did not have any significant contingent liabilities as at 31 December 2012.

Dividend

Chongqing Resources Group did not declare or pay dividend for the year ended 31 December 2012.

3. *For the year ended 31 December 2013*

Profit and loss

For the year ended 31 December 2013, Chongqing Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB1.2 million for the year was contributed by bank interest income. Selling and marketing expenses in 2013 were approximately RMB37.5 million, primarily included promotion expenses of RMB20.0 million, license fee of RMB7.4 million and staff cost of RMB4.9 million. These expenses were incurred for the presale of Boya Project since February 2013. Administrative expenses increased from approximately RMB5.9 million in 2012 to approximately RMB10.6 million in 2013, which mainly comprised of staff cost of RMB3.8 million, rental expenses of RMB1.4 million and depreciation expenses of RMB1.3 million. Share of loss of an associate of Chongqing Resources Group, Chongqing Fangyuan, was approximately RMB3.8 million for the year ended 31 December 2013.

Loss for the year attributable to the owners of the parent was approximately RMB36.7 million. Comparing with the loss attributable to the owners of the parent of approximately RMB5.8 million for the year ended 31 December 2012, the loss was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs incurred by Chongqing Yingpu for the marketing of PKU Resources – Boya Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Chongqing Resources Group funded its operations mainly by bank and other borrowings and amount due to related companies, which were subject to little seasonality. As at 31 December 2013, Chongqing Resources Group had cash and cash equivalents of approximately RMB241.0 million, all denominated in RMB. As at 31 December 2013, Chongqing Resources Group had bank and other borrowings of approximately RMB1,280.7 million. Approximately RMB521.1 million was due by 2014 and the remaining was due by 2015. The average effective interest rate was approximately 8.8%. The bank and other borrowings were denominated in RMB with fixed interest rate.

During the year ended 31 December 2013, Chongqing Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Chongqing Resources Group were approximately RMB3,538.6 million and RMB2,778.2 million, respectively. The current ratio decreased from 2.2 times as at 31 December 2012 to approximately 1.3 times as at 31 December 2013, mainly attributable to an increase in current bank and other borrowings and due to related companies of approximately RMB1,660.4 million, netted off by an increase in prepayments, deposits and other receivables from approximately RMB15.6 million as at 31 December 2012 to approximately RMB1,204.8 million as at 31 December 2013.

Chongqing Resources Group's total assets and total liabilities as at 31 December 2013 amounted to approximately RMB3,587.8 million and RMB3,537.8 million, respectively. The gearing ratio as at 31 December 2013 was 98.6% (31 December 2012: 92.4%).

Significant acquisition and disposal

Save for the incorporation of Chongqing Fangyuan, there was no material acquisition or disposal of subsidiary and associated company by Chongqing Resources Group during the year ended 31 December 2013.

Significant investments

There was no significant investments held by Chongqing Resources Group as at 31 December 2013.

Charges on Chongqing Resources Group's assets

As at 31 December 2013, certain of Chongqing Resources Group's properties under development of PKU Resources – Boya Project with a carrying value of approximately RMB752.0 million were pledged to secure bank loans of approximately RMB259.5 million granted to Chongqing Resources Group.

As at 31 December 2013, time deposits of approximately RMB320.0 million were pledged for short term other loans of RMB315.0 million, and time deposits of approximately RMB35.0 million were pledged for long term bank loans of RMB259.5 million.

Pursuant to relevant regulations in the PRC, Chongqing Resources Group are required to place certain amounts at designated bank account as deposits for the construction of PKU Resources – Boya Project. As at 31 December 2013, such deposits of Chongqing Resources Group amounted to approximately RMB7.1 million.

Contingent liabilities

As at 31 December 2013, Chongqing Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of PKU Resources – Boya Project amounting to approximately RMB291.3 million.

Dividend

Chongqing Resources Group did not declare or pay dividend for the year ended 31 December 2013.

4. For the nine months ended 30 September 2014

Profit and loss

For the period ended 30 September 2014, Chongqing Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB965,000 for the period was contributed by bank interest income. Selling and marketing expenses for the period were approximately RMB20.6 million (for the period ended 30 September 2013: approximately RMB20.1 million), mainly represented promotion expenses of RMB7.9 million, license expense of RMB4.6 million and staff cost of RMB2.7 million. Administrative expenses for the nine months ended 30 September 2014 were approximately RMB9.4 million, which was RMB2.3 million higher than the first nine months in 2013. The increase was mainly due to increase in headcounts.

Loss for the period attributable to the owners of the parent was approximately RMB26.4 million. Comparing with the loss attributable to the owners of the parent of approximately RMB19.0 million for the period ended 30 September 2013, the loss was primarily attributable to the increase in finance costs on loans from PKU Resources Group for Boya Project.

Liquidity, financial position and capital structure

During the period ended 30 September 2014, Chongqing Resources Group funded its operations mainly by bank and other borrowings and amount due to related companies, which were subject to little seasonality. As at 30 September 2014, Chongqing Resources Group had cash and cash equivalents of approximately RMB46.7 million, all denominated in RMB. As at 30 September 2014, Chongqing Resources Group had bank and other borrowings of approximately RMB2,574.2 million. Approximately

RMB1,774.2 million was due by 2015, and the remaining was due by 2016. The average effective interest rate was approximately 9.6 – 10.8%. The bank and other borrowings were denominated in RMB with fixed interest rate.

During the period ended 30 September 2014, Chongqing Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 30 September 2014, the current assets and current liabilities of Chongqing Resources Group were approximately RMB5,104.8 million and RMB4,387.8 million, respectively. The current ratio as at 30 September 2014 approximately was 1.2 times (31 December 2013: 1.3 times).

Chongqing Resources Group's total assets and total liabilities as at 30 September 2014 amounted to approximately RMB5,223.7 million and RMB5,187.8 million, respectively. The gearing ratio was approximately 99.3% as at 30 September 2014 (31 December 2013: 98.6%).

Significant acquisition and disposal

Save for the incorporation of Chongqing Yuefeng, there was no material acquisition or disposal of subsidiary and associate company by Chongqing Resources Group for the period ended 30 September 2014.

Significant investment

There was no significant investments held by Chongqing Resources Group as at 30 September 2014.

Charges on Chongqing Resources Group's assets

As at 30 September 2014, certain of Chongqing Resources Group's properties under development, Boya Project, with a carrying value of approximately RMB753.5 million were pledged to secure bank loans of RMB211.2 million.

Contingent liabilities

As at 30 September 2014, Chongqing Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Boya Project amounting to approximately RMB297.0 million.

Dividend

Chongqing Resources Group did not declare or pay dividend for the period ended 30 September 2014.

c) Employment and Remuneration Policy

Chongqing Resources Group had a total of 2, 60, 51 and 50 employees for the three years ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Chongqing Resources Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Chongqing Resources Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Chongqing Resources Group are members of a state-managed retirement benefit scheme operated by the local government. Chongqing Resources Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Chongqing Resources Group with respect to the retirement benefit scheme is to make the specified contributions. During the three years ended 31 December 2013 and the nine months ended 30 September 2014, the total employee benefit expenses of Chongqing Resources Group (including total contributions to the retirement benefit schemes) was approximately RMB36,000, RMB3.2 million, RMB8.6 million and RMB5.0 million, respectively.

d) Outlook and future prospects of Chongqing Resources Group

The major business of Chongqing Resources Group is the development of the PKU Resources – Boya Project and the PKU Resources – Yuelai Project in Chongqing city, and investment of 19% equity interest in Chongqing Fangyuan which has interest in the PKU Resources – Yannan Project in Chongqing city (For the outlook and future prospects of Chongqing Fangyuan, please refer to sub-section headed "d. Outlook and future prospects of Keen Delight Group" in the section headed "(I) MANAGEMENT DISCUSSION AND ANALYSIS OF KEEN DELIGHT GROUP" in this Appendix). The expected development period of Phase I, II and III of the PKU Resources – Boya Project are expected to be from September 2012 to December 2014, from July 2013 to May 2015 and from July 2014 to May 2016, respectively. The PKU Resources – Yuelai Project has not yet commenced construction as to the Latest Practicable Date.

The PKU Resources – Boya Project, a residential and commercial development project, is located near Zhaomushan Park in New North Zone of Yubei District, which is a newly-developing area in Chongqing city. The project is in close proximity of Chongqing Jiangbei International Airport and the city centre of Chongqing city.

The PKU Resources – Yuelai Project, a residential project, is located Yuelai Sub-district of Yubei District, which is a newly-developing area in Chongqing city. The project is at approximately 45 minutes driving distance to Chongqing Jiangbei

International Airport and is approximately 40 minutes driving distance to the city centre of Chongqing city. The nearby Yuelai Station is the terminal of Chongqing Metro Guobo Line.

It is believed that the large-scale residential and commercial property development of the PKU Resources – Boya Project and the PKU Resources – Yuelai Project will be well-received by potential buyers and will generate long term return on investment for the Group.

(IV) MANAGEMENT DISCUSSION AND ANALYSIS OF CHENGDU RESOURCES GROUP

a) Overview

Chengdu Resources is a limited liability company incorporated in the PRC and is principally engaged in property development. Chengdu Resources acquired 70% equity interests in Xinjin Beichuang in August 2012. Chengdu Resources has 19% interest in Chengdu Lihui since July 2013.

Xinjin Beichuang is a limited liability company incorporated in PRC principally engaged in property development. It has interest in a residential town property development project known as PKU Resources – Xishanyue Project in Chengdu city, Sichuan Province, China.

Chengdu Lihui is a limited liability company incorporated in PRC principally engaged in property development. It has interest in a residential town and commercial development project known as PKU Resources – Yannan International Project in Chengdu city, Sichuan Province, China.

b) Financial Overview

1. For the period from 6 August to 31 December 2012

Profit and loss

For the period ended 31 December 2012, Chengdu Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB8,000 for the period was contributed by bank interest income. Selling and marketing expenses and administrative expenses for the period were approximately RMB0.4 million and RMB2.0 million, respectively. Finance costs were approximately RMB2.8 million for the period, which represented approximately RMB4.8 million interest on borrowings from PKU Resources Group and approximately RMB3.6 million interest on borrowings from PKU Property, netted off by RMB5.6 million interest capitalized.

Loss for the period attributable to the owners of the parent was approximately RMB3.7 million.

Liquidity, financial position and capital structure

During the period ended 31 December 2012, Chengdu Resources Group funded its operations mainly by borrowings and amount due to related companies, which were subject to little seasonality. As at 31 December 2012, Chengdu Resources Group had cash and cash equivalents of approximately RMB3.9 million, all denominated in RMB. Chengdu Resources Group had borrowings from PKU Resources Group and PKU Property of approximately RMB106.0 million and RMB70.6 million, respectively, guaranteed by Peking Founder, both due by 2014 with an effective interest rate of 15.0%.

As at 31 December 2012, the current assets and current liabilities of Chengdu Resources Group were approximately RMB258.8 million and RMB10.0 million, respectively. The current ratio as at 31 December 2012 was approximately 25.8 times.

Chengdu Resources Group's total assets and total liabilities as at 31 December 2012 amounted to approximately RMB261.4 million and RMB186.7 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was 71.4% as at 31 December 2012.

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Chengdu Resources Group during the period ended 31 December 2012.

Significant Investment

There was no significant investments held by Chengdu Resources Group as at 31 December 2012.

Charges on Chengdu Resources Group's assets

As at 31 December 2012, none of Chengdu Resources Group's assets was pledged.

Contingent liabilities

Chengdu Resources Group did not have any significant contingent liabilities as at 31 December 2012.

Dividend

Chengdu Resources Group did not declare or pay dividend for the period ended 31 December 2012.

2. For the year ended 31 December 2013

Profit and loss

For the year ended 31 December 2013, Chengdu Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB26,000 for the year was mainly contributed by penalties received from contractors when they could not meet Chengdu Resources Group's requirements. Selling and marketing expenses were approximately RMB11.3 million, mainly incurred by the presale of PKU Resource – Xishanyue Project, which was approximately RMB10.9 million higher than that of 2012. Administrative expenses increased from approximately RMB2.0 million in 2012 to approximately RMB12.0 million in 2013, mainly representing staff costs of RMB4.6 million, rental expenses of RMB2.5 million and depreciation expenses of RMB1.3 million. Finance costs were approximately RMB4.3 million in 2013, which represented approximately RMB19.7 million interest on borrowings from PKU Resources Group and approximately RMB8.2 million interest on borrowings from PKU Property, netted off by RMB23.7 million of interest capitalized. Share of loss of Chengdu Lihui was approximately RMB1.5 million.

Loss for the year attributable to the owners of the parent was approximately RMB20.8 million. Comparing with the loss attributable to the owners of the parents of approximately RMB3.7 million for the period ended 31 December 2012, the loss was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs incurred by Xinjin Beichuang, for the development and marketing of PKU Resources – Xishanyue Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Chengdu Resources Group funded its operations mainly by other borrowings, which were subject to little seasonality. As at 31 December 2013, Chengdu Resources Group had cash and cash equivalents of approximately RMB5.2 million, all denominated in RMB. As at 31 December 2013, Chengdu Resources Group had other borrowings of approximately RMB229.6 million from PKU Resources Group and RMB70.6 million from PKU Property. Both were guaranteed by Peking Founder, due by 2014 with an effective interest rate of 11.5%. The borrowings were denominated in RMB with fixed interest rates.

During the year ended 31 December 2013, Chengdu Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Chengdu Resources Group were approximately RMB364.4 million and RMB350.4 million, respectively. The current ratio decreased from approximately 25.8 times to approximately 1.0 times as at 31 December 2013, mainly attributable to an increase in other short term borrowings of approximately RMB300.2 million.

Chengdu Resources Group's total assets and total liabilities as at 31 December 2013 amounted to approximately RMB375.2 million and RMB350.4 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, increased from approximately 71.4% as at 31 December 2012, to approximately 93.4% as at 31 December 2013, mainly attributable to an increase in other short term borrowings of approximately RMB300.2 million, netted off by decrease in non-current liabilities of approximately RMB176.6 million.

Significant acquisition and disposal

Save for the acquisition of 70% equity interests in Xinjin Beichuang on 6 January 2013 and the acquisition of 19% of equity interest in Chengdu Lihui on 10 July 2013, there was no material acquisition or disposal of subsidiary and associated company by Chengdu Resources during the year ended 31 December 2013.

Significant investment

There was no significant investments held by Chengdu Resources Group as at 31 December 2013.

Charges on Chengdu Resources Group's assets

As at 31 December 2013, none of Chengdu Resources Group's assets was pledged.

Contingent liabilities

As at 31 December 2013, Chengdu Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of PKU Resources – Xishanyue Project, amounting to RMB450,000.

Dividend

Chengdu Resources Group did not declare or pay dividend for the year ended 31 December 2013.

3. *For the nine months ended 30 September 2014*

Profit and loss

For the period ended 30 September 2014, Chengdu Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB88,000 for the period was mainly contributed by penalties received from contractors when they could not meet Chengdu Resources Group's requirements. Selling and marketing expenses were approximately RMB2.6 million for the period ended 30 September 2014 (nine months ended 30 September 2013: RMB8.1 million). Administrative expenses for the period ended 30 September 2014 were approximately RMB5.5 million (nine months ended 30 September 2013: RMB9.1 million). All finance costs incurred in the period ended 30 September 2014 were capitalized. Finance costs were approximately RMB3.2 million in 2013, which represented approximately RMB13.6 million interest on borrowings from PKU Resources Group and approximately RMB6.2 million interest on borrowings from PKU Property netted off by RMB16.5 million interest capitalized. For the period ended 30 September 2014, share of loss of Chengdu Lihui was approximately RMB3.2 million.

Loss for the period attributable to the owners of the parent was approximately RMB8.9 million. Comparing with the loss attributable to the owners of the parent of approximately RMB14.8 million for the period ended 30 September 2013, the loss was primarily attributable to the decrease in selling and marketing expenses, administrative expenses and finance costs for the development and marketing of PKU Resources – Xishanyue Project.

Liquidity, financial position and capital structure

During the period ended 30 September 2014, Chengdu Resources Group funded its operations mainly by other borrowings and amount due to related companies, which were subject to little seasonality. As at 30 September 2014, Chengdu Resources Group had cash and cash equivalents of approximately RMB1.8 million, all denominated in RMB. As at 30 September 2014, Chengdu Resources Group had other borrowings of approximately RMB583.1 million. Guaranteed by Peking Founder, approximately RMB252.5 million was due by 2014 and the remaining was due by 2015. The weighted average effective interest rate was 11.2%. The other borrowings were denominated in RMB with fixed interest rates.

During the period ended 30 September 2014, Chengdu Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 30 September 2014, the current assets and current liabilities of Chengdu Resources Group were approximately RMB646.7 million and RMB638.8 million, respectively. The current ratio as at 30 September 2014 was 1.0 times (as at 31 December 2013: 1.0 times).

Chengdu Resources Group's total assets and total liabilities as at 30 September 2014 amounted to approximately RMB652.4 million and RMB638.8 million, respectively. The gearing ratio as at 30 September 2014 was 97.9% (31 December 2013: 93.4%).

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Chengdu Resources Group during the period ended 30 September 2014.

Significant investment

There was no significant investments held by Chengdu Resources Group as at 30 September 2014.

Charges on Chengdu Resources Group's assets

As at 30 September 2014, none of Chengdu Resources Group's assets was pledged.

Contingent liabilities

As at 30 September 2014, Chengdu Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of PKU Resources – Xishanyue Project, amounted to approximately RMB1.4 million.

Dividend

Chengdu Resources Group did not declare or pay dividend for the period ended 30 September 2014.

c) Employment and Remuneration Policy

Chengdu Resources Group had a total of 38, 80 and 81 employees for the period ended 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Chengdu Resources Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Chengdu Resources Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Chengdu Resources Group are members of a state-managed retirement benefit scheme operated by the local government. Chengdu Resources Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Chengdu Resources Group with respect to the retirement benefit scheme is to make the specified contributions. During the period ended 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014, the total employee benefit expenses of Chengdu Resources Group (including total contributions to the retirement benefit schemes) were approximately RMB1.0 million, RMB5.9 million and RMB1.2 million, respectively.

d) Outlook and future prospects of Chengdu Resources Group

The major business of Chengdu Resources Group is the development of the PKU Resources – Xishanyue Project in Chengdu city and investment of 19% equity interest in Chengdu Lihui which has interest in the PKU Resources – Yannan International Project in Chengdu city (For the outlook and future prospects of Chengdu Lihui, please refer to sub-section headed "d. Outlook and future prospects of Keen Delight Group" in the section headed "(I) MANAGEMENT DISCUSSION AND ANALYSIS OF KEEN DELIGHT GROUP" in this Appendix). The expected development period of Phase I of the development is expected to be from March 2013 to October 2014.

The PKU Resources – Xishanyue Project, a residential town, is located at Mumashan Area of Xinjin County, Chengdu city, Sichuan province. The project is in close proximity of to Chengdu Shuangliu International Airport and at approximately an hour driving distance to the city centre of Chengdu city. Sichuan province is ranked eighth in China in terms of nominal GDP in 2013. It is believed that the large-scale residential development will be well-received by potential buyers and will generate long term return on investment for the Group.

(V) MANAGEMENT DISCUSSION AND ANALYSIS OF GUIYANG RESOURCES GROUP

a) Overview

Guiyang Resources is a limited liability company incorporated in the PRC and is principally engaged in property development. Guiyang Resources currently owns 70% of the equity interests in Guiyang Henglong, established in November 2012.

Guiyang Henglong is a company incorporated in PRC principally engaged in property development. It has interest in a commercial, residential, and office property development project known as PKU Resources – Dream City Project in Guiyang city, Guizhou Province, China.

b) Financial Overview

1. For the period from 22 August to 31 December 2012

Profit and loss

For the period ended 31 December 2012, Guiyang Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB33,000 for the period was contributed by bank interest income. Selling and marketing expenses and administrative expenses were approximately RMB102,000 and RMB2.4 million, respectively.

Loss for the period attributable to the owners of the parent was approximately RMB1.7 million.

Liquidity, financial position and capital structure

During the period ended 31 December 2012, Guiyang Resources Group funded its operations mainly by borrowings, which were subject to little seasonality. As at 31 December 2012, Guiyang Resources Group had cash and cash equivalents of approximately RMB3.1 million, all denominated in RMB. Guiyang Resources Group had borrowings from PKU Resources Group of approximately RMB46.6 million due by 2014 with an effective interest rate of 15.0%. All other borrowings were denominated in RMB with fixed interest rate.

During the period ended 31 December 2012, Guiyang Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2012, the current assets and current liabilities of Guiyang Resources Group were approximately RMB107.7 million and RMB1.7 million, respectively. The current ratio was approximately 61.9 times as at 31 December 2012.

Guiyang Resources Group's total assets and total liabilities as at 31 December 2012 amounted to approximately RMB110.9 million and RMB48.4 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 43.6% as at 31 December 2012.

Significant acquisition and disposal

Save for the incorporation of Guiyang Henglong, there was no material acquisition or disposal of subsidiary and associated company during the period ended 31 December 2012.

Significant Investment

There was no significant investments held by Guiyang Resources Group as at 31 December 2012.

Charges on Guiyang Resources Group's assets

As at 31 December 2012, none of Guiyang Resources Group's assets was pledged.

Contingent liabilities

Guiyang Resources Group did not have any significant contingent liabilities as at 31 December 2012.

Dividend

Guiyang Resources Group did not declare or pay dividend for the period ended 31 December 2012.

2. For the year ended 31 December 2013

Profit and loss

For the year ended 31 December 2013, Guiyang Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB235,000 for the year was contributed by bank interest income. Selling and marketing expenses were approximately RMB30.5 million, approximately RMB30.4 million higher than that of 2012. The increase was mainly due to incremental expenses incurred by the launch of presale of PKU Resources-Dream City Project in November 2013, including advertising expenses of RMB12.0 million, marketing expenses of RMB5.2 million, licensee fees of RMB5.2 million and commission fees of RMB4.8 million. Administrative expenses increased from approximately RMB2.4 million for the year ended 31 December 2012 to approximately RMB24.7 million in 2013, which mainly represented staff costs of RMB14.5 million, entertainment expenses of RMB3.5 million and travelling expenses of RMB1.6 million. The increase was primarily due to the increase in headcount from 10 as at the end of 2012 to 72 as at the end of 2013. Finance costs were approximately RMB3.3 million in 2013, which represented approximately RMB58.5 million interest on borrowings from PKU Resources Group, netted off by approximately RMB55.1 million interest capitalized.

Loss for the year attributable to the owners of the parent was approximately RMB40.8 million. Comparing with the loss attributable to the owners of the parent of approximately RMB1.7 million for the period ended 31 December 2012, the loss was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs incurred by Guiyang Henglong for the marketing of PKU Resources – Dream City Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Guiyang Resources Group funded its operations mainly by borrowings, which were subject to little seasonality. As at 31 December 2013, Guiyang Resources Group had cash and cash equivalents (excluding restricted cash) of approximately RMB167.0 million, all denominated in RMB. As at 31 December 2013, Guiyang Resources Group had a loan of approximately RMB786.6 million from PKU Resources Group due by 2014 with an effective interest rate of 11.5%. The loan was denominated in RMB with a fixed interest rate.

During the year ended 31 December 2013, Guiyang Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Guiyang Resources Group were approximately RMB1,431.5 million and RMB1,433.4 million, respectively. The current ratio decreased from approximately 61.9 times as at 31 December 2012 to approximately 1.0 times as at 31 December 2013, mainly attributable to an increase in borrowings, netted off by an increase in properties under development of approximately RMB770.8 million.

Guiyang Resources Group's total assets and total liabilities as at 31 December 2013 amounted to approximately RMB1,437.7 million and RMB1,433.4 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, increased to 99.7% as at 31

December 2013 (31 December 2012: 43.6%). This is mainly attributable to the increase in borrowings from RMB46.6 million as at 31 December 2012 to approximately RMB786.6 million as at 31 December 2013.

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Guiyang Resources Group during the period ended 31 December 2013.

Significant investment

There was no significant investment held by Guiyang Resources Group as at 31 December 2013.

Charges on Guiyang Resources Group's assets

As at 31 December 2013, certain of Guiyang Resources Group's land use rights included in the PKU Resources – Dream City Project with a carrying value of approximately RMB575.0 million were pledged to secure banking facilities of approximately RMB500.0 million granted to PKU Resources Group.

Pursuant to relevant regulations in the PRC, Guiyang Resources Group is required to place certain amounts at designated bank accounts as deposits for the construction of the PKU Resources – Dream City Project. As at 31 December 2013, such deposits of Guiyang Resources Group amounted to approximately RMB185.6 million.

Contingent liabilities

As at 31 December 2013, Guiyang Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of the PKU Resources – Dream City Project amounting to approximately RMB49.4 million.

Dividend

Guiyang Resources Group did not declare or pay dividend for the year ended 31 December 2013.

3. For the nine months ended 30 September 2014

Profit and loss

For the period ended 30 September 2014, Guiyang Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB4.2 million for the period was contributed by bank interest income. Selling and marketing expenses increased from approximately RMB8.1 million for the period ended 30 September 2013 to approximately RMB40.0 million for the period ended 30 September 2014 due to the presale of PKU Resources – Dream City Project starting from November 2013. Selling and marketing expenses in 2014 mainly included advertising expenses of RMB12.4 million, licensee fees of RMB10.1 million, commission fees of RMB9.6 million and marketing expenses of RMB4.8 million. Administrative expenses for the period ended 30 September 2014 were approximately RMB13.8 million (nine months ended 30 September 2013: RMB10.7 million).

Loss for the period attributable to the owners of the parent was approximately RMB34.7 million. Comparing with the loss attributable to the owners of the parent of approximately RMB15.5 million for the period ended 30 September 2013, the loss was primarily attributable to the increase in selling and marketing expenses and administrative expenses incurred by Guiyang Henglong for the marketing of PKU Resources – Dream City Project.

Liquidity, financial position and capital structure

During the period ended 30 September 2014, Guiyang Resources Group funded its operations mainly by other borrowings, which were subject to little seasonality. As at 30 September 2014, Guiyang Resources Group had cash and cash equivalents (excluding restricted cash) of approximately RMB310.2 million, all denominated in RMB. As at 30 September 2014, Guiyang Resources Group had other borrowings of approximately RMB1,496.8 million. Approximately RMB500.0 million was due by 2014, approximately RMB796.8 million was due by 2015 and the remaining was due by 2016. The average effective interest rate was 10.9%. All other borrowings were denominated in RMB with fixed interest rates.

During the period ended 30 September 2014, Guiyang Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 30 September 2014, the current assets and current liabilities of Guiyang Resources Group were approximately RMB3,208.3 million and RMB3,059.8 million, respectively. The current ratio as at 30 September 2014 was 1.0 times (31 December 2013: 1.0 times).

Guiyang Resources Group's total assets and total liabilities as at 30 September 2014 amounted to approximately RMB3,214.5 million and RMB3,259.8 million, respectively. The gearing ratio as at 30 September 2014 was 101.4% (31 December 2013: 99.7%).

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Guiyang Resources Group during the period ended 30 September 2014.

Significant investment

There was no significant investment held by Guiyang Resources Group as at 30 September 2014.

Charges on Guiyang Resources Group's assets

As at 30 September 2014, certain of Guiyang Resources Group's land use rights included in the PKU Resources – Dream City Project with a carrying value of approximately RMB212.3 million and approximately RMB127.2 million were pledged to secure banking facilities of approximately RMB500.0 million and other loans of approximately RMB296.8 million granted to PKU Resources Group and Guiyang Resources Group, respectively.

Pursuant to relevant regulations in the PRC, Guiyang Resources Group is required to place certain amounts at designated bank accounts as deposits for the construction of the PKU Resources – Dream City Project. As at 30 September 2014, such deposits of Guiyang Resources Group amounted to approximately RMB730.9 million.

Contingent liabilities

As at 30 September 2014, Guiyang Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of the PKU Resources – Dream City Project amounting to approximately RMB309.4 million.

Dividend

Guiyang Resources Group did not declare or pay dividend for the period ended 30 September 2014.

c) Employment and Remuneration Policy

Guiyang Resources Group had a total of 10, 72 and 148 employees for the period ended 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Guiyang Resources Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Guiyang Resources Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Guiyang Resources Group are members of a state-managed retirement benefit scheme operated by the local government. Guiyang Resources Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Guiyang Resources Group with respect to the retirement benefit scheme is to make the specified contributions. As for the period ended 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014, the total employee benefit expenses of Guiyang Resources Group (including total contributions to the retirement benefit schemes) were approximately RMB1.3 million, RMB15.9 million and RMB5.2 million, respectively.

d) Outlook and future prospects of Guiyang Resources Group

The major business of Guiyang Resources Group is the development of the PKU Resources – Dream City Project in Guiyang city. The expected development period of Phase I of the development is expected to be from July 2013 to February 2016; and Phase II of the development is expected to be from August 2014 to January 2016.

The PKU Resources – Dream City Project, a residential, commercial and office mixed complex, is located at Guanshanhu District of Guiyang city, Guizhou province. The project is in close proximity of Guiyang North Railway Station, Guiyang Longdongbao International Airport and the city centre of Guiyang. It is believed that the large residential and commercial property development will be well-received by potential buyers and will generate long term return on investment for the Group.

(VI) MANAGEMENT DISCUSSION AND ANALYSIS OF QINGDAO RESOURCES GROUP

a) Overview

Qingdao Resources is a limited liability company incorporated in the PRC and is principally engaged in property development. Qingdao Resources currently owns 70% of the equity interests in Qingdao Boya, which in turns owns 100% of the equity interests in Qingdao Bolai. Qingdao Boya was established in March 2013 and Qingdao Bolai was established in December 2013.

Qingdao Boya is a limited liability company incorporated in PRC principally engaged in property development. It has interest in a residential town and commercial property development project known as Xinduxinyuan Project in Qingdao city, Shandong Province, China.

Qingdao Bolai is a company incorporated in PRC principally engaged in property development. Qingdao Resources has interest in a residential town and commercial property development project known as PKU Resources – Boya Huafu Project in Qingdao city, Shandong Province, China.

b) Financial Overview

1. For the period from 28 November to 31 December 2012

Profit and loss

For the period ended 31 December 2012, Qingdao Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB16,000 for the period was contributed by bank interest income. Administrative expenses were approximately RMB264,000.

Loss for the period attributable to the owners of the parent was approximately RMB248,000.

Liquidity, financial position and capital structure

During the period ended 31 December 2012, Qingdao Resources Group funded its operations mainly by internal resources. As at 31 December 2012, Qingdao Resources Group had cash and cash equivalents of approximately RMB49.8 million, all denominated in RMB.

During the period ended 31 December 2012, Qingdao Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2012, the current assets and current liabilities of Qingdao Resources Group were approximately RMB99.8 million and RMB9,000, respectively. The current ratio was approximately 11,084.6 times as at 31 December 2012.

Qingdao Resources Group's total assets and total liabilities as at 31 December 2012 amounted to approximately RMB99.8 million and RMB9,000, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 0.009% as at 31 December 2012.

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Qingdao Resources Group as at 31 December 2012.

Significant Investment

There was no significant investment held by Qingdao Resources Group as at 31 December 2012.

Charges on Qingdao Resources Group's assets

As at 31 December 2012, none of Qingdao Resources Group's assets was pledged.

Contingent liabilities

Qingdao Resources Group did not have any significant contingent liabilities as at 31 December 2012.

Dividend

Qingdao Resources Group did not declare or pay dividend for the year ended 31 December 2012.

2. *For the year ended 31 December 2013*

Profit and loss

For the year ended 31 December 2013, Qingdao Resources Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB94,000 for the year was contributed by bank interest income. Selling and marketing expenses and administrative expenses were approximately RMB1.7 million and RMB10.6 million for the year ended 31 December 2013, respectively. Selling and marketing expenses mainly included promotion expenses of RMB1.1 million incurred for the presale of Xinduxinyuan project starting from December 2013. Administrative expenses mainly represented employee benefit expenses of RMB2.9 million, rental and office expenses of RMB2.5 million and other miscellaneous expenses. Finance costs were approximately RMB3.7 million for the year ended 31 December 2013, which represented RMB1.0 million interest on bank loans, RMB4.6 million interest on loans from PKU Resources Group and RMB10.9 million interest on loans from PKU Property, netted off by RMB12.9 million interest capitalized.

Loss for the year attributable to the owners of the parent was approximately RMB11.5 million for the year ended 31 December 2013. Comparing with the loss attributable to the owners of the parent of approximately RMB248,000 for the year ended 31 December 2012, the loss was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs incurred by Qingdao Boya and Qingdao Bolai, for the operation and marketing of Xinduxinyuan Project and Boya Huafu Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Qingdao Resources Group Group funded its operations mainly by bank and other borrowings, which were subject to little seasonality. As at 31 December 2013, Qingdao Resources Group had cash and cash equivalents (excluding restricted cash) of approximately RMB14.6 million, all denominated in RMB. As at 31 December 2013, Qingdao Resources Group had bank and other borrowings of approximately RMB746.4 million, all due by 2015. The average effective interest rate was approximately 11.0%. All bank and other borrowings were denominated in RMB with fixed interest rate.

During the year ended 31 December 2013, Qingdao Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Qingdao Resources Group were approximately RMB895.6 million and RMB53.8 million, respectively. The current ratio decreased to approximately 16.7 times as at 31 December 2013 (31 December 2012: 11,084.6 times), mainly attributable to an increase in payables and due to related companies, netted off by an increase in properties under development of approximately RMB784.0 million.

Qingdao Resources Group's total assets and total liabilities as at 31 December 2013 amounted to approximately RMB899.2 million and RMB800.1 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, increased to 89.0% as at 31 December 2013 (31 December 2012: 0.009%). This is mainly attributable to the increase in bank and other borrowings, netted off by an increase in properties under development.

Significant acquisition and disposal

Save for the incorporation of Qingdao Boya and Qingdao Bolai, there was no material acquisition or disposal of subsidiary and associated company during the year ended 31 December 2013.

Significant investment

There was no significant investments held by Qingdao Resources Group as at 31 December 2013.

Charges on Qingdao Resources Group's assets

As at 31 December 2013, certain of Qingdao Resources Group's land use rights of Xinduxinyuan Project with a carrying value of approximately RMB156.6 million were pledged to secure banking facilities of approximately RMB170 million granted by a bank to Qingdao Resources Group.

Pursuant to relevant regulations in the PRC, Qingdao Resources Group is required to place certain amounts at designated bank accounts as deposits for the development of Xinduxinyuan Project. As at 31 December 2013, such deposits of Qingdao Resources Group amounted to approximately RMB14.1 million.

Contingent liabilities

Qingdao Resources Group did not have any significant contingent liabilities as at 31 December 2013.

Dividend

Qingdao Resources Group did not declare or pay dividend for the year ended 31 December 2013.

3. *For the nine months ended 30 September 2014*

Profit and loss

For the period ended 30 September 2014, Qingdao Resources Group has not completed any property development project.

Other income of approximately RMB298,000 for the period was contributed by bank interest income. Selling and marketing expenses increased from approximately RMB756,000 to approximately RMB7.7 million for the period ended 30 September 2014 primarily due to the presale of Xinduxinyuan Project starting from December 2013. Administrative expenses for the period ended 30 September 2014 were approximately RMB6.6 million, which was RMB0.3 million higher than the period ended 30 September 2013.

Loss for the period attributable to the owners of the parent was approximately RMB10.0 million. Comparing with the loss attributable to the owners of the parent of approximately RMB5.3 million for the period ended 30 September 2013, the loss was primarily attributable to the increase in selling and marketing expenses and administrative expenses incurred by Qingdao Boya and Qingdao Bolai, for the operation and marketing of Xinduxinyuan Project and Boya Huafu Project.

Liquidity, financial position and capital structure

During the period ended 30 September 2014, Qingdao Resources Group funded its operations mainly by bank and other borrowings, which were subject to little seasonality. As at 30 September 2014, Qingdao Resources Group had cash and cash equivalents (excluding restricted cash) of approximately RMB37.4 million, all denominated in RMB. As at 30 September 2014, Qingdao Resources Group had bank loans and other borrowings of approximately RMB1,308.4 million. Approximately RMB166.9 million was due by 2015, and the remaining was due by 2015 to 2017. The effective average interest rate was 10.3 – 11.7%. All bank and other borrowings were denominated in RMB with fixed interest rates.

As at 30 September 2014, the current assets and current liabilities of Qingdao Resources Group were approximately RMB1,678.9 million and RMB360.8 million, respectively. The current ratio decreased from 16.7 times as at 31 December 2013 to 4.7 times as at 30 September 2014, mainly attributable to an increase in other payables and accruals, netted off by an increase in properties under development.

During the period ended 30 September 2014, Qingdao Resources Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

Qingdao Resources Group's total assets and total liabilities as at 30 September 2014 amounted to approximately RMB1,681.8 million and RMB1,597.3 million, respectively. The gearing ratio as at 30 September 2014 was 95.0% (31 December 2013: 89.0%).

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Qingdao Resources Group during the period ended 30 September 2014.

Significant investment

There was no significant investment held by Qingdao Resources Group as at 30 September 2014.

Charges on Qingdao Resources Group's assets

As at 30 Septemebr 2014, the land use rights of Xinduxinyuan Project with a carrying value of approximately RMB156.6 million were pledged to secure banking facilities of approximately RMB170.0 million granted by a bank to Qingdao Resources Group.

Pursuant to relevant regulations in the PRC, Qingdao Resources Group is required to place certain amounts at designated bank accounts as deposits for the development of Xinduxinyuan Project. As at 30 September 2014, such deposits of Qingdao Resources Group amounted to approximately RMB49.8 million.

Contingent liabilities

As at 30 September 2014, Qingdao Resources Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Qingdao Resources Group's properties, Xinduxinyuan amounting to approximately RMB22.8 million.

Dividend

Qingdao Resources Group did not declare or pay dividend for the period ended 30 September 2014.

c) Employment and Remuneration Policy

Qingdao Resources Group had a total of 16, 7 and 4 employees for the period ended 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Qingdao Resources Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Qingdao Resources Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Qingdao Resources Group are members of a state-managed retirement benefit scheme operated by the local government. Qingdao Resources Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Qingdao Resources Group with respect to the retirement benefit scheme is to make the specified contributions. During the period ended 31 December 2012, the year ended 31 December 2013 and the nine months period ended 30 September 2014, the total employee benefit expenses of Qingdao Resources Group (including total contributions to the retirement benefit schemes) were approximately RMB72,000, RMB3.1 million and RMB977,000, respectively.

d) Outlook and future prospects of Qingdao Resources Group

The major business of Qingdao Resources Group is the development of the PKU Resources – Boya Huafu Project and Xinduxinyuan Project in Qingdao city. The expected development period of Phase I of PKU Resources – Boya Huafu Project is expected to be from September 2014 to November 2016; and Phase I of Xinduxinyuan Project is expected to be from October 2013 to July 2015.

The PKU Resources – Boya Huafu Project and the Xinduxinyuan Project, both are residential town and commercial development projects, and are located at Shibei District, a well established area in Qingdao city, Shangdong province. These projects are in close proximity of Qingdao Liuting International Airport and the city centre of Qingdao city. Shangdong province is ranked third in China in terms of nominal GDP in 2013. It is believed that the residential town and commercial property development of both the PKU Resources – Boya Huafu Project and the Xinduxinyuan Project will be well-received by potential buyers and will generate long term return on investment for the Group.

(VII) MANAGEMENT DISCUSSION AND ANALYSIS OF CHONGQING YINGFENG GROUP

a) Overview

Chongqing Yingfeng is a limited liability company incorporated in the PRC and is principally engaged in property development. Chongqing Yingfeng currently owns 70% equity interests in Wuhan Tianhe, which was established in December 2013.

Chongqing Yingfeng has interest in a residential property development project known as PKU Resources – Jiangshan Mingmen Project in Chongqing city, China.

Wuhan Tianhe is a limited liability company incorporated in PRC and is principally engaged in property development. Wuhan Tianhe has interests in a residential property development project known as PKU Resources – Shanshuinianhua Project in Wuhan city, Hubei province, China.

b) Financial Overview

1. For the year ended 31 December 2011

Profit and loss

For the year ended 31 December 2011, Chongqing Yingfeng Group has not completed any property development project, and therefore no revenue was generated.

Other income of approximately RMB118,000 for the year was contributed by bank interest income. Selling and marketing expenses and administrative expenses in 2011 were RMB3.5 million and RMB8.7 million, respectively.

Loss for the year attributable to the owners of the parent was approximately RMB12.1 million.

Liquidity, financial position and capital structure

During the year ended 31 December 2011, Chongqing Yingfeng Group funded its operations mainly by other borrowings, which were subject to little seasonality, and internal resources. As at 31 December 2011, Chongqing Yingfeng Group had cash and cash equivalents of approximately RMB33.5 million, all denominated in RMB. As at 31 December 2011, Chongqing Yingfeng Group had other borrowings of RMB495.0 million, all denominated in RMB with fixed interest rate, due by 2013 with an effective interest rate of 20.3%.

During the year ended 31 December 2011, Chongqing Yingfeng Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2011, the current assets and current liabilities of Chongqing Yingfeng Group were approximately RMB1,684.7 million and RMB493.0 million, respectively. The current ratio, represented by current assets as a percentage of current liabilities, was approximately 3.4 times as at 31 December 2011.

Chongqing Yingfeng Group's total assets and total liabilities as at 31 December 2011 amounted to approximately RMB1,688.2 million and RMB988.0 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 58.5% as at 31 December 2011.

Significant acquisition and disposal

There were no material acquisition and disposal of subsidiary and associated company by Chongqing Yingfeng Group during the year ended 31 December 2011.

Significant investments

There were no significant investments held by Chongqing Yingfeng Group as at 31 December 2011.

Charges on Chongqing Yingfeng Group's assets

As at 31 December 2011, certain of Jiangshan Mingmen Project's properties under development with a carrying value of approximately RMB853.1 million were pledged to secure other loans of RMB495.0 million granted to Chongqing Yingfeng Group.

Contingent liabilities

Chongqing Yingfeng Group did not have any significant contingent liabilities as at 31 December 2011.

Dividend

Chongqing Yingfeng Group did not declare or pay dividend for the year ended 31 December 2011.

2. For the year ended 31 December 2012

Profit and loss

For the year ended 31 December 2012, Chongqing Yingfeng Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB313,000 for the year was contributed by bank interest income. Selling and marketing expenses for 2012 were RMB14.3 million, mainly representing promotion expenses of RMB7.1 million and staff costs of RMB2.0 million. Comparing with 2011, the increase of approximately RMB10.8 million was mainly due to presale promotion activities since September 2012. Administrative expenses for 2012 were approximately RMB11.5 million, which were approximately RMB2.8 million higher than 2011. The increase was caused by the increase in headcounts from 44 in 2011 to 95 in 2012.

Loss for the year attributable to the owners of the parent was approximately RMB25.5 million. Comparing with the loss attributable to the owners of the parent of approximately RMB12.1 million for the year ended 31 December 2011, the loss was primarily attributable to the increase in selling and marketing expenses and administrative expenses incurred by Jiangshan Mingmen Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2012, Chongqing Yingfeng Group funded its operations mainly by bank and other borrowings, which were subject to little seasonality. As at 31 December 2012, Chongqing Yingfeng Group had cash and cash equivalents (excluding restricted cash) of approximately RMB103.3 million, all denominated in RMB. As at 31 December 2012, Chongqing Yingfeng Group had bank and other borrowings of approximately RMB1,038.0 million, all denominated in RMB with fixed interest rates. RMB495.0 million was due by 2013 and the remaining was due by 2014. The weighted average effective interest rate on the bank and other borrowings was approximately 17.0%.

During the year ended 31 December 2012, Chongqing Yingfeng Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2012, the current assets and current liabilities of Chongqing Yingfeng Group were approximately RMB2,315.7 million and RMB1,102.5 million, respectively. The current ratio was approximately 2.1 times as at 31 December 2012, a decrease from approximately 3.4 times as at 31 December 2011. This is mainly attributable to an increase in current liabilities resulting from the transfer of the RMB495.0 million borrowing from non-current liabilities to current liabilities.

Chongqing Yingfeng Group's total assets and total liabilities as at 31 December 2012 amounted to approximately RMB2,320.2 million and RMB1,645.4 million, respectively. The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 70.9% as at 31 December 2012, an increase from 58.5% as at 31 December 2011, mainly attributable to the increase in non-current borrowings to approximately RMB543.0 million.

Significant acquisition and disposal

There was no material acquisition and disposal of subsidiary and associated company by Chongqing Yingfeng Group during the year ended 31 December 2012.

Significant investments

There was no significant investment held by Chongqing Yingfeng Group as at 31 December 2012.

Charges on Chongqing Yingfeng Group's assets

As at 31 December 2012, certain of Chongqing Yingfeng's properties under development with a carrying value of approximately RMB1,635.6 million were pledged to secure bank and other loans.

Pursuant to relevant regulations in the PRC, Chongqing Yingfeng Group are required to place certain amounts at designated bank accounts as deposits for the construction of relevant properties. As at 31 December 2012, such deposits of Chongqing Yingfeng Group amounted to approximately RMB54.4 million. In addition, as at 31 December 2012, certain of Chongqing Yingfeng Group's restricted bank balances of RMB46.3 million were pledged to secure bank loans granted to Chongqing Yinfeng Group.

Contingent liabilities

As at 31 December 2012, Chongqing Yingfeng Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Jiangshan Mingmen Project's properties amounting to approximately RMB32.8 million.

Dividend

Chongqing Yingfeng Group did not declare or pay dividend for the year ended 31 December 2012.

3. For the year ended 31 December 2013

Profit and loss

For the year ended 31 December 2013, Chongqing Yingfeng Group has not completed any property development project and therefore no revenue was generated.

Other income of approximately RMB977,000 for the year was contributed by bank interest income. Selling and marketing expenses for 2013 were approximately RMB34.6 million, which mainly included promotion expenses of RMB17.7 million and staff costs of RMB4.4 million. The increase in selling and marketing expenses in 2013 were primarily due to boosting promotion activities for the presale of Jiangshan Mingmen Project since September 2012. Administrative expenses decreased from approximately RMB11.5 million in 2012 to approximately RMB8.6 million in 2013. Finance costs for 2013 amounted to approximately RMB7.1 million, which represented approximately RMB5.3 million interest on bank loans and RMB147.4 million interest on other borrowings, netted off by approximately RMB145.6 million interest capitalized.

Loss for the year attributable to the owners of the parent was approximately RMB49.4 million. Comparing with the loss attributable to the owners of the parents of approximately RMB25.5 million for the year ended 31 December 2012, the loss was primarily attributable to the increase in selling and marketing expenses, administrative expenses and finance costs incurred by Chongqing Yingfeng for the marketing of Jiangshan Mingmen Project.

Liquidity, financial position and capital structure

During the year ended 31 December 2013, Chongqing Yingfeng Group funded its operations mainly by bank and other borrowings, which are subject to little seasonality. As at 31 December 2013, Chongqing Yingfeng Group had cash and cash equivalents (excluding restricted cash) of approximately RMB45.2 million, all denominated in RMB. As at 31 December 2013, Chongqing Yingfeng Group had bank and other borrowings of RMB1,685.2 million, denominated in RMB with fixed interest rates. Approximately RMB145.5 million was due by 2014, and the remaining was due by 2016. The average effective interest rate was approximately 11.8 – 13.0%.

During the year ended 31 December 2013, Chongqing Yingfeng Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 31 December 2013, the current assets and current liabilities of Chongqing Yingfeng Group were approximately RMB3,778.5 million and RMB1,620.1 million, respectively. The current ratio was approximately 2.3 times as at 31 December 2013 (31 December 2012: 2.1 times).

Chongqing Yingfeng Group's total assets and total liabilities as at 31 December 2013 amounted to approximately RMB3,785.2 million and RMB3,159.9 million, respectively. The gearing ratio increased from approximately 70.9% as at 31 December 2012 to approximately 83.5% as at 31 December 2013, mainly attributable to an increase in other payables and accruals, from RMB549.8 million to RMB1,245.4 million.

Significant acquisition and disposal

Save for the incorporation of Wuhan Tianhe on 6 December 2013, there was no material acquisition or disposal of subsidiary and associated company by Chongqing Yingfeng Group during the year ended 31 December 2013.

Significant investments

There was no significant investment held by Chongqing Yingfeng Group as at 31 December 2013.

Charges on Chongqing Yingfeng Group's assets

As at 31 December 2013, certain of Chongqing Yinfeng's properties under development with a carrying value of approximately RMB1,398.0 million were pledged to secure bank and other loans.

Pursuant to relevant regulations in the PRC, Chongqing Yingfeng Group are required to place certain amounts at designated bank accounts as deposits for the construction of the relevant properties. As at 31 December 2013, such deposits of Chongqing Yingfeng Group amounted to approximately RMB25.5 million.

Contingent liabilities

As at 31 December 2013, Chongqing Yingfeng Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Jiangshan Mingmen Project's properties amounting to approximately RMB159.8 million.

Dividend

Chongqing Yingfeng Group did not declare or pay dividend for the year ended 31 December 2013.

4. *For the nine months ended 30 September 2014*

Profit and loss

Chongqing Yingfeng Group's revenue – for the nine months ended 30 September 2014 was approximately RMB594.1 million, representing income from sales of residential units in PKU Resources – Jiangshan Mingmen

Project. Total GFA of property sold was 104,569 sq.m.. Gross profit for the year was approximately RMB93.5 million, representing a gross profit margin of approximately 15.7%.

Other income of approximately RMB398,000 for the period was contributed by bank interest income. Selling and marketing expenses were approximately RMB16.1 million (for the nine months ended 30 September 2013: approximately RMB17.5 million), mainly represented promotion expenses of RMB8.1 million and staff costs of RMB2.9 million. Administrative expenses for the period, including staff costs of RMB4.0 million and travelling and communication expenses of RMB1.1 million, increased from approximately RMB6.7 million for the period ended 30 September 2013 to approximately RMB8.6 million.

Profit for the nine months ended 30 September 2014 attributable to the owners of the parent was approximately RMB67.7 million. Comparing with the loss attributable to the owners of the parent of approximately RMB23.7 million for the period ended 30 September 2013, the profit was primarily attributable to the income from sales of residential units in PKU Resources – Jiangshan Mingmen Project.

Liquidity, financial position and capital structure

During the nine months ended 30 September 2014, Chongqing Yingfeng Group funded its operations mainly by bank and other borrowings and amount due to related companies, which were subject to little seasonality. As at 30 September 2014, Chongqing Yingfeng Group had cash and cash equivalents (excluding restricted cash) of approximately RMB50.2 million, all denominated in RMB. As at 30 September 2014, Chongqing Yingfeng Group had bank and other borrowings of approximately RMB1,938.6 million, denominated in RMB with fixed interest rates. Approximately RMB41.3 million was due by 2014, approximately RMB810.0 million was due by 2015, and the remaining was due by 2016. The average effective interest rate was approximately 12.0 – 13.7%.

During the period ended 30 September 2014, Chongqing Yingfeng Group did not have a formal hedging policy and no financial instrument was used for hedging purpose.

As at 30 September 2014, the current assets and current liabilities of Chongqing Yingfeng Group were approximately RMB3,337.7 million and RMB1,388.7 million, respectively. The current ratio as at 30 September 2014 was 2.4 times (31 December 2013: 2.3 times).

Chongqing Yingfeng Group's total assets and total liabilities as at 30 September 2014 amounted to approximately RMB3,342.7 million and RMB2,636.0 million, respectively. The gearing ratio was 78.9% as at 30 September 2014 (31 December 2013: 83.5%).

Significant acquisition and disposal

There was no material acquisition or disposal of subsidiary and associated company by Chongqing Yingfeng Group during the period ended 30 September 2014.

Significant investments

There was no significant investment held by Chongqing Yingfeng Group as at 30 September 2014.

Charges on Chongqing Yingfeng Group's assets

As at 30 September 2014, certain of Chongqing Yinfeng's properties under development with a carrying value of approximately RMB956.7 million were pledged to secure bank and other loans.

At 30 September 2014, certain of Chongqing Yingfeng's properties held for sale with a carrying value of approximately RMB516.1 million were pledged to secure bank loans and other loans of approximately RMB1,001.3 million.

Pursuant to relevant regulations in the PRC, Chongqing Yingfeng Group are required to place certain amounts at designated bank accounts as deposits for the construction of relevant properties. As at 30 September 2014, such deposits of Chongqing Yingfeng Group amounted to approximately RMB48.8 million. In additiona, as at 31 December 2014, certain of Chongqing Yingfeng Group's restricted bank balances of RMB17.0 million were pledged to secure bank loans granted to Chongqing Yinfeng Group.

Contingent liabilities

As at 30 September 2014, Chongqing Yingfeng Group had contingent liabilities relating to guarantees in respect of mortgages granted by certain banks to certain purchasers of Jiangshan Mingmen Project's properties amounting to approximately RMB136.2 million.

Dividend

Chongqing Yingfeng Group did not declare or pay dividend for the year ended 30 September 2014.

c) Employment and Remuneration Policy

Chongqing Yingfeng Group had a total of 44, 95, 51 and 53 employees for the three years ended 31 December 2013 and the nine months ended 30 September 2014, respectively. The remuneration policy is set out by the board of directors of the companies comprising Chongqing Yingfeng Group on the basis of their experience, merit, qualifications and competence. Apart from basic salaries, annual target performance related bonuses were awarded to certain staffs.

Currently there are no share option schemes available for employees of the Chongqing Yingfeng Group. Internal and external technical and professional training is provided to employees.

The PRC employees of Chongqing Yingfeng Group are members of a state-managed retirement benefit scheme operated by the local government. Chongqing Yingfeng Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Chongqing Yingfeng Group with respect to the retirement benefit scheme is to make the specified contributions. During the three years ended 31 December 2013 and the nine months period ended 30 September 2014, the total employee benefit expenses of Chongqing Yingfeng Group (including total contributions to the retirement benefit schemes) were approximately RMB5.1 million, RMB7.1 million, RMB7.7 million and RMB7.5 million, respectively.

d) Outlook and future prospects of Chongqing Yingfeng Group

The major business of Chongqing Yingfeng Group is the development of the PKU Resources – Jiangshan Mingmen Project in Chongqing city and the PKU Resources – Shanshuinianhua Project in Wuhan city. The expected development period of Phase I and II of the PKU Resources – Jiangshan Mingmen Project are expected to be from March 2012 to April 2014 and from March 2013 to December 2014, respectively. The PKU Resources – Shanshuinianhua Project has not yet commenced construction as to the Latest Practicable Date.

The PKU Resources – Jiangshan Mingmen Project, a large-scale residential project, is located along Hai'er Road in Cuntan Area of Jiangbei District, which is a newly-developing area in Chongqing city. The project is in close proximity of Chongqing Jiangbei International Airport and the city centre of Chongqing city.

The PKU Resources – Shanshuinianhua Project, a residential project, is located in Donghu Development Zone, which is a newly-developing area in Wuhan city, Hubei province. The project is at approximately an hour driving distance to Wuhan Tianhe International Airport and at approximately 40 minutes driving distance to the centre of Wuchang in Wuhan city. Hubei province is ranked ninth in China in terms of nominal GDP in 2013.

It is believed that the large-scale residential development of the PKU Resources – Jiangshan Mingmen Project and the PKU Resources – Shanshuinianhua Project will be well-received by potential buyers and will generate long term return on investment for the Group.

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their opinion of values as at 30 September 2014 of the properties to be acquired by the Company.

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

2 December 2014

The Directors
Peking University Resources (Holdings) Company Limited
Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the properties situated in the People's Republic of China (the "PRC") which are to be acquired by Peking University Resources (Holdings) Company Limited (the "Company") from Fine Noble Global Limited and Peking University Resources Group Property Co., Limited（北大資源集團地產有限公司）and which are held by Extol High Enerprises Limited ("Extol"), Keen Delight Global Limited ("Keen Delight"), Chongqing Peking University Resources Property Co., Limited（重慶北大資源地產有限公司）("Chongqing Resources"), Chengdu Peking University Resources Property Co., Limited（成都北大資源地產有限公司）("Chengdu Resources"), Guiyang Peking University Resources Property Co., Limited（貴陽北大資源地產有限公司）("Guiyang Resources"), Qingdao Peking University Resources Property Co., Limited（青島北大資源地產有限公司）("Qingdao Resources") and their respective subsidiaries and/or associates (hereinafter together referred to as the "Acquired Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 30 September 2014 (the "valuation date") for circular purpose.

Basis of Valuation

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

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Property Categorization and Valuation Methodology

In valuing the property in Group I, which is held by the Acquired Group for sale in the PRC, we have valued the property by the direct comparison approach assuming sale with the benefit of vacant possession in its existing state by making reference to comparable sales transactions as available in the relevant markets.

In valuing the properties in Group II, which are held by the Acquired Group under development in the PRC, we have valued such properties on the basis that they will be developed and completed in accordance with the latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of values, we have adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant markets and have also taken into account the costs that will be expended to complete the developments to reflect the quality of the completed developments.

In valuing the properties in Group III, which are held by the Acquired Group for future development in the PRC, we have valued such properties by making reference to comparable market transactions as available in the relevant markets assuming sale with the benefit of vacant possession.

In valuing the properties in Group IV, which are to be acquired by the Acquired Group in the PRC, we have assigned no commercial values to such properties as the Acquired Group has not obtained any valid title documents.

Title Investigation

We have been provided with copies of title documents relating to the properties. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and the legal opinion issued by the PRC legal adviser to the Company, Tian Yuan Law Firm (北京市天元律師事務所), regarding the titles to the properties in the PRC.

Valuation Consideration and Assumptions

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. Unless otherwise stated, we have also assumed that the Acquired Group has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the unexpired terms as granted.

In the course of our valuation, we have relied to a considerable extent on information and advice from the Company on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, total and outstanding construction costs, site and floor areas, transaction records, sale prices, sale and purchase agreements and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

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

Site Inspections

We have inspected the exterior and, where possible, the interior of the properties. Site inspections of the properties were carried out in April 2014 by our Mr. Bian Ruijun (Director), Mr. Hu Songbin (Senior Manager) and various valuation assistants. Mr. Bian Ruijun and Mr. Hu Songbin are both China Registered Real Estate Appraisers. During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report that the properties are free from rot, infestation and any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

Remarks

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

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C K Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr. Anthony C K Lau is a qualified valuer and has over 21 years' post-qualification experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUES

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
Group I – Property held by the Acquired Group for sale in the PRC				
1.	The unsold portion of Phase I of PKU Resources – Jiangshan Mingmen Project, Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	782,200,000	100%	782,200,000
	Group I Sub-total:	782,200,000		782,200,000
Group II – Properties held by the Acquired Group under development in the PRC				
2.	PKU Resources – Xishanyue Project, 266 Lijing South Road, Huayuan Town, Xinjin County, Chengdu, Sichuan Province, PRC	310,300,000	70%	217,210,000
3.	Phases I and II of PKU Resources – Yannan International Project, 211 Hangdu Avenue 2nd Section, Yingchunqiao Community, Dongsheng Area, Shuangliu County, Chengdu, Sichuan Province, PRC	758,800,000	70%	531,160,000

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
4.	Phases I and II of PKU Resources – Boya Project, 96 – 106 Jinzhou Avenue, Chongqing New North Zone, Yubei District, Chongqing, PRC	2,023,200,000	70%	1,416,240,000
5.	Phase II of PKU Resources – Jiangshan Mingmen Project, Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	927,600,000	100%	927,600,000
6.	Phases I and II-1 of PKU Resources – Yannan Project, 3 Xingyan Road, Jiulongpo District, Chongqing, PRC	1,195,200,000	70%	836,640,000
7.	Phase I of PKU Resources – Boya Binjiang Project, Section I of Huaguoshan Lot No. 1-2, Wenfeng West Road, Xinan Area, Sanshui District, Foshan, Guangdong Province, PRC	419,000,000	51%	213,690,000

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
8.	Phases I and II of PKU Resources – Dream City Project, 235 Jiaxiu North Road, Guanshanhu District, Guiyang, Guizhou Province, PRC	1,327,900,000	70%	929,530,000
9.	Xinduxinyuan Project, 249 Chongqing South Road, Shibei District, Qingdao, Shandong Province, PRC	283,000,000	70%	198,100,000
10.	Phase I of PKU Resources – Boya Huafu Project, 49 Changsha Road, Shibei District, Qingdao, Shandong Province, PRC	275,500,000	70%	192,850,000
	Group II Sub-total:	7,520,500,000		5,463,020,000

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
Group III – Properties held by the Acquired Group for future development in the PRC				
11.	Phase III of PKU Resources – Yannan International Project, 211 Hangdu Avenue 2nd Section, Yingchunqiao Community, Dongsheng Area, Shuangliu County, Chengdu, Sichuan Province, PRC	197,000,000	70%	137,900,000
12.	Phase III of PKU Resources – Boya Project, 96 – 106 Jinzhou Avenue, Chongqing New North Zone, Yubei District, Chongqing, PRC	337,500,000	70%	236,250,000
13.	Phase III and future phases of PKU Resources – Jiangshan Mingmen Project, Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	1,136,000,000	100%	1,136,000,000
14.	Phase II-2 of PKU Resources – Yannan Project, Land Lot No. C09-1-2/04, Dadukou Area, Jiulongpo District, Chongqing, PRC	136,000,000	70%	95,200,000

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
15.	Phases II to V of PKU Resources – Boya Binjiang Project, Sections II to V of Huaguoshan Lot No. 1-2, Wenfeng West Road, Xinan Area, Sanshui District, Foshan, Guangdong Province, PRC	739,000,000	51%	376,890,000
16.	Phase III and future phases of PKU Resources – Dream City Project, Jiaxiu North Road, Guanshanhu District, Guiyang, Guizhou Province, PRC	363,000,000	70%	254,100,000
17.	Land Lot No. SL1-7-128, Yingchunqiao Community, Dongsheng Area, Shuangliu County, Chengdu, Sichuan Province, PRC	847,000,000	70%	592,900,000
18.	PKU Resources – Yuelai Project, Land Lot Nos. D13-1/04 and D13-2/04, Yuelai Area, Yubei District, Chongqing, PRC	950,000,000	70%	665,000,000

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
19.	PKU Resources – Time Project, Land Lot G-70, Southwestern corner of the junction of Yuetang Road and Zhaoxin Road, Yanghu Area, Yuelu District, Changsha, Hunan Province, PRC	686,000,000	70%	480,200,000
20.	Phases II and III of PKU Resources – Boya Huafu Project, 49 Changsha Road, Shibei District, Qingdao, Shandong Province, PRC	393,000,000	70%	275,100,000
21.	Land Lot No. 3702050070011009, 45 Changsha Road, Shibei District, Qingdao, Shandong Province, PRC	463,000,000	70%	324,100,000
22.	PKU Resources – Shanshuinianhua Project, Land Lot P (2013) No. 160, South of Jiufeng 2nd Road and east of Shanhu North Road, Donghu Development Zone, Wuhan, Hubei Province, PRC	668,000,000	70%	467,600,000
	Group III Sub-total:	6,915,500,000		5,041,240,000

No.	Property	Market value in existing state as at 30 September 2014 *(RMB)*	Interests attributable to the Acquired Group	Market value attributable to the Acquired Group as at 30 September 2014 *(RMB)*
Group IV – Properties to be acquired by the Acquired Group in the PRC				
23.	Land Lot No. XJ07 (252/211): 2012-85, Baiyun Village, Huayuan Town, Xinjin County, Chengdu, Sichuan Province, PRC			No commercial value
24.	Two parcels of land located at Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC			No commercial value
25.	Phase III and future phases of PKU Resources – Yannan Project, Land Lot Nos. C12-1/06, C14-1/04, C14-3-2/04 and C15-4/03, Dadukou Area, Jiulongpo District, Chongqing, PRC			No commercial value
	Group IV Sub-total:			Nil
	Grand Total:	**15,218,200,000**		**11,286,460,000**

VALUATION CERTIFICATE

Group I – Property held by the Acquired Group for sale in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
1.	The unsold portion of Phase I of PKU Resources – Jiangshan Mingmen Project, Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	PKU Resources – Jiangshan Mingmen Project (the "Development") is a large-scale residential development, which is being developed in phases. Phase I of the Development is erected on two parcels of land with a total site area of approximately 61,270.20 sq.m.. The Development is located along Hai'er Road in Cuntan Area of Jiangbei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 20 minutes' drive to Chongqing Jiangbei International Airport and at about 25 minutes' drive to the centre of Jiangbei District, Chongqing. The property comprises the unsold portion of Phase I of the Development with a total gross floor area of approximately 58,559.13 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 32,232.26 Commercial 26,326.87 **Total: 58,559.13** As advised by the Company, the property was completed in 2014. The land use rights of the property have been granted for a term expiring on 30 December 2056 for residential use.	As at the valuation date, the property was vacant.	RMB782,200,000 (100% interest attributable to the Acquired Group: RMB782,200,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2006) He Zi (Jiang Bei) No. 798 dated 30 December 2006, the land use rights of a parcel of land with a site area of approximately 219,815.40 sq.m. have been granted to Chongqing Yingfeng Property Co., Limited（重慶盈豐地產有限公司）(“Chongqing Yingfeng”), a 100%-owned subsidiary of Extol, for a term of 50 years for residential use at a total land grant fee of RMB253,670,000.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to two State-owned Land Use Rights Certificates – 103 D Fang Di Zheng 2014 Zi Nos. 00036 and 00037 both dated 26 January 2014, the land use rights of the land parcels of Phase I of the Development with a total site area of approximately 61,270.20 sq.m. have been granted to Chongqing Yingfeng for a term expiring on 30 December 2056 for residential use.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. Jian 500105200900126 dated 17 March 2009, Chongqing Yingfeng is permitted to use a parcel of land with a site area of approximately 219,815.00 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. Pursuant to two Planning Permits for Construction Works – Jian Zi Nos. 500105201100134 and 500105201200007 dated 29 December 2011 and 24 February 2012 respectively, the total approved construction scale of Phase I of the Development is approximately 218,806.70 sq.m..

5. Pursuant to two Approvals for Commencement of Construction Works – Nos. 500000201204200201 and 500000201204270101 dated 20 April 2012 and 27 April 2012 respectively, the construction works of Phase I of the Development with a total construction scale of approximately 218,806.70 sq.m. has been approved for commencement.

6. Pursuant to five Chongqing Pre-sale Permits for Commodity Housing – Yu Guo Tu Fang Guan (2012) Yu Zi Nos. 552-1, 553-1, 782-1, 899-1 and 953-1 all dated 21 February 2014, portion of Phase I of the Development with a total gross floor area of approximately 144,823.47 sq.m. has been permitted for pre-sale.

   As advised by the Company, the property only comprises portion of the buildings as stated in the afore-mentioned Chongqing Pre-sale Permits for Commodity Housing.

7. Pursuant to the Completion Certificate – Jian Jun Bei Zi [2014] No. 0039 dated 1 May 2014, the construction works of Phase I of the Development with a total gross floor area of approximately 215,591.00 sq.m. has been examined and such examination has been recorded.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 12,178.55 sq.m. has been contracted for sale under various agreements for sale and purchase at a total consideration of approximately RMB74,800,000 which has not been delivered to the purchasers. We have taken into account the aforesaid amount in our valuation.

9. As confirmed by the Company, the property is subject to a mortgage.

10. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Chongqing Yingfeng is the legal user of the land parcels of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Chongqing Yingfeng is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Chongqing Yingfeng has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold and mortgaged portions of the property, Chongqing Yingfeng is permitted to sell the remaining portion of the property under the Chongqing Pre-sale Permits for Commodity Housing.

Group II – Properties held by the Acquired Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
2.	PKU Resources – Xishanyue Project, 266 Lijing South Road, Huayuan Town, Xinjin County, Chengdu, Sichuan Province, PRC	PKU Resources – Xishanyue Project is a large-scale residential development and is being erected on a parcel of land with a site area of approximately 52,033.61 sq.m.. The property is located in Mumashan Area of Xinjin County, Chengdu. Developments in the vicinity are dominated by low-density residential developments. It is at about 25 minutes' drive to Chengdu Shuangliu International Airport and at about an hour's drive to the city centre of Chengdu. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 56,820.72 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 48,714.42 Commercial 3,529.66 Car park 2,432.19 Ancillary facilities 2,144.45 **Total: 56,820.72** As advised by the Company, the property is scheduled for completion in the third quarter of 2014. The land use rights of the property have been granted for two concurrent terms expiring on 16 August 2082 for residential use and 16 August 2052 for commercial use respectively.	As at the valuation date, the property was under construction.	RMB310,300,000 (70% interest attributable to the Acquired Group: RMB217,210,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 0114-2012-0040 dated 6 August 2012, the land use rights of the land parcel of the property with a site area of approximately 52,033.61 sq.m. have been granted to Xinjin Beichuang Property Development Co., Limited（新津北創房地產開發有限公司）(“Xinjin Beichuang”), a 70%-owned subsidiary of Chengdu Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB124,880,640.

2. Pursuant to the State-owned Land Use Rights Certificate – Xin Jin Guo Yong (2013) No. 72 dated 21 January 2013, the land use rights of the land parcel of the property with a site area of approximately 52,033.61 sq.m. have been granted to Xinjin Beichuang for two concurrent terms expiring on 16 August 2082 and 16 August 2052 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 510132210221015 dated 29 September 2012, Xinjin Beichuang is permitted to use the land parcel of the property with a site area of approximately 52,033.61 sq.m. for development.

4. Pursuant to the Planning Permit for Construction Works – Jian Zi No. 510132201331003 dated 25 January 2013, the approved construction scale of the property is approximately 56,820.72 sq.m..

5. Pursuant to two Approvals for Commencement of Construction Works – Nos. 510132201303290104 and 510132201303290105 both dated 29 March 2013, the construction works of the property with a total construction scale of approximately 56,820.72 sq.m. has been approved for commencement.

6. Pursuant to three Pre-sale Permits for Commodity Housing – Cheng Fang Yu Shou Xin Jin Zi Nos. 397 and 399 and Cheng Fang Yu Shou Xin Jin (Bian) Zi No. 395 dated between 24 May 2013 and 1 July 2013, portion of the property with a total gross floor area of approximately 28,681.95 sq.m. has been permitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB136,600,000 and the estimated outstanding construction cost for completion of the property was approximately RMB128,700,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 3,242.20 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB22,500,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is in the sum of RMB508,900,000.

10. As confirmed by the Company, the property is free from any mortgages.

11. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, inter alia, the following information:

    i. Xinjin Beichuang is the legal user of the land parcel of the property;

    ii. Xinjin Beichuang is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Xinjin Beichuang has obtained the Planning Permit for Construction Land, Planning Permit for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold portion of the property, Xinjin Beichuang is permitted to pre-sell the remaining portion of the property under the Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
3.	Phases I and II of PKU Resources – Yannan International Project, 211 Hangdu Avenue 2nd Section, Yingchunqiao Community, Dongsheng Area, Shuangliu County, Chengdu, Sichuan Province, PRC	PKU Resources – Yannan International Project (the "Development") is a large-scale residential development, which is being developed in phases and is being erected on a parcel of land with a site area of approximately 64,465.14 sq.m.. The property comprises Phases I and II of the Development. The Development is located in Yingchunqiao Community of Shuangliu County, Chengdu, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 15 minutes' drive to Chengdu Shuangliu International Airport and at about 40 minutes' drive to the city centre of Chengdu. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 224,336.77 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:	As at the valuation date, the property was under construction.	RMB758,800,000 (70% interest attributable to the Acquired Group: RMB531,160,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Phase I	
Residential	58,187.93
Commercial	8,692.89
Car park	18,311.97
Ancillary facilities	6,264.84
Sub-total:	91,457.63
Phase II	
Residential	80,314.33
Commercial	6,810.16
Car park	43,254.50
Ancillary facilities	2,500.15
Sub-total:	132,879.14
Total:	**224,336.77**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
		As advised by the Company, the property is scheduled for completion by phases between the third quarter of 2015 and the first quarter of 2016. The land use rights of the property have been granted for two concurrent terms expiring on 18 July 2083 for residential use and 18 July 2053 for commercial use respectively.		

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 510106-2013-B-007 (Shuang) and its supplementary agreement dated 28 June 2013 and 12 July 2013 respectively, the land use rights of the land parcel of the Development with a site area of approximately 64,465.14 sq.m. have been granted to Chengdu Lihui Property Co., Limited（成都立輝地產有限公司）("Chengdu Lihui"), a 51%-owned subsidiary of Keen Delight and a 19%-owned associate of Chengdu Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB768,746,715.

2. Pursuant to the State-owned Land Use Rights Certificate – Shuang Guo Yong (2013) No. 26915 dated 13 November 2013, the land use rights of the land parcel of the Development with a site area of approximately 64,465.14 sq.m. have been granted to Chengdu Lihui for two concurrent terms expiring on 18 July 2083 and 18 July 2053 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 510122201321077 dated 17 July 2013, Chengdu Lihui is permitted to use the land parcel of the Development with a site area of approximately 96.6977 mu (64,465.13 sq.m.) for development.

4. Pursuant to two Planning Permits for Construction Works – Jian Zi Nos. 510122201431001 and 510122201431026 dated 8 January 2014 and 5 May 2014 respectively, the total approved construction scale of the property is approximately 224,336.77 sq.m..

5. Pursuant to three Approvals for Commencement of Construction Works – Shuang Shi [2014] No. 014 and Shuang Shi [2014] Bian Hao Nos. 064 and 065 dated between 27 January 2014 and 7 July 2014, the construction works of the property with a total construction scale of approximately 224,336.77 sq.m. has been approved for commencement.

6. Pursuant to five Pre-sale Permits for Commodity Housing – Cheng Fang Yu Shou Shuang Zi Nos. 13251, 13262, 13315, 13318 and 13344 dated between 25 March 2014 and 17 October 2014, portion of the property with a total gross floor area of approximately 115,452.82 sq.m. has been permitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB123,800,000 and the estimated outstanding construction cost for completion of the property was approximately RMB482,100,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 40,301.78 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB326,400,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is estimated to be RMB1,500,000,000.

10. As confirmed by the Company, the property is subject to a mortgage.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Chengdu Lihui is the legal user of the land parcel of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Chengdu Lihui is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract and its supplementary agreement;

    iii. Chengdu Lihui has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold portion of the property, Chengdu Lihui is permitted to pre-sell the remaining portion of the property under the Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
4.	Phases I and II of PKU Resources – Boya Project, 96 – 106 Jinzhou Avenue, Chongqing New North Zone, Yubei District, Chongqing, PRC	PKU Resources – Boya Project (the "Development") is a large-scale residential development, which is being developed in phases and is being erected on four parcels of land with a total site area of approximately 143,648.00 sq.m.. The property comprises Phases I and II of the Development. The Development is located near Zhaomushan Park in New North Zone of Yubei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium to low-rise residential developments of similar ages. It is at about 25 minutes' drive to Chongqing Jiangbei International Airport and at about 30 minutes' drive to the city centre of Chongqing. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 428,261.60 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:	As at the valuation date, the property was under construction.	RMB2,023,200,000 (70% interest attributable to the Acquired Group: RMB1,416,240,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Phase I	
Residential	115,585.18
Commercial	6,866.65
Car park	48,526.75
Sub-total:	170,978.58
Phase II	
Residential	166,436.06
Commercial	27,946.79
Car park	62,900.17
Sub-total:	257,283.02
Total:	**428,261.60**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
		As advised by the Company, the property is scheduled for completion by phases between the third quarter of 2014 and the second quarter of 2015. The land use rights of the property have been granted for two concurrent terms expiring on 30 December 2062 for residential use and 30 December 2052 for commercial use respectively.		

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2012) He Zi (Bei Bu Xin Qu) No. 185 dated 21 June 2012, the land use rights of the land parcels of the Development with a total site area of approximately 143,648.00 sq.m. have been granted to Chongqing Yingpu Investment Co., Limited（重慶盈普投資有限公司）(“Chongqing Yingpu”), a 70%-owned subsidiary of Chongqing Resources, for two concurrent terms of 40 years for commercial use and 50 years for residential use respectively at a land grant fee of RMB1,077,450,000.

2. Pursuant to four State-owned Land Use Rights Certificates – 115 Fang Di Zheng 2012 Zi No. 12496 and 115 Fang Di Zheng 2014 Zi Nos. 04169, 12525 and 25073 dated between 21 August 2012 and 15 September 2014, the land use rights of the land parcels of the Development with a total site area of approximately 143,648.00 sq.m. have been granted to Chongqing Yingpu for two concurrent terms expiring on 30 December 2062 and 30 December 2052 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 500140201200039 dated 1 August 2012, Chongqing Yingpu is permitted to use the land parcels of the Development with a total site area of approximately 143,660.00 sq.m. for development.

4. Pursuant to three Planning Permits for Construction Works – Jian Zi Nos. 500140201300029, 500140201300037 and 500140201300099 dated between 16 May 2013 and 31 December 2013, the total approved construction scale of the property is approximately 428,261.58 sq.m..

5. Pursuant to five Approvals for Commencement of Construction Works – Nos. 500123201211210201, 500123201212280501, 500123201306080301, 500123201403140301 and 500123201403140401 dated between 21 November 2012 and 14 March 2014, the construction works of the property with a total construction scale of approximately 416,681.01 sq.m. has been approved for commencement.

6. Pursuant to 19 Chongqing Pre-sale Permits for Commodity Housing – Yu Guo Tu Fang Guan (2013) Yu Zi Nos. 102, 121, 157, 213, 268, 303, 528, 662, 663, 794, 819, 946 and Yu Guo Tu Fang Guan (2014) Nos. 56, 207, 275, 476, 532, 709 and 829 dated between 5 February 2013 and 18 September 2014, portion of the property with a total gross floor area of approximately 244,126.38 sq.m. has been permitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB443,600,000 and the estimated outstanding construction cost for completion of the property was approximately RMB583,800,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 168,864.61 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB1,403,600,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is in the sum of RMB3,259,200,000.

10. As confirmed by the Company, the property is subject to a mortgage.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Chongqing Yingpu is the legal user of the land parcels of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Chongqing Yingpu is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Chongqing Yingpu has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold and mortgaged portions of the property, Chongqing Yingpu is permitted to pre-sell the remaining portion of the property under the Chongqing Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
5.	Phase II of PKU Resources – Jiangshan Mingmen Project, Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	PKU Resources – Jiangshan Mingmen Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises Phase II of the Development and is being erected on six parcels of land with a total site area of approximately 72,480.70 sq.m.. The Development is located along Hai'er Road in Cuntan Area of Jiangbei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 20 minutes' drive to Chongqing Jiangbei International Airport and at about 25 minutes' drive to the centre of Jiangbei District, Chongqing. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 230,525.98 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** — **Approximate Gross Floor Area** *(sq.m.)* Residential — 155,606.25 Commercial — 12,368.97 Car park — 56,600.19 Ancillary facilities — 5,950.57 **Total: — 230,525.98** As advised by the Company, the property is scheduled for completion in the fourth quarter of 2014. The land use rights of the property have been granted for a term expiring on 30 December 2056 for residential use.	As at the valuation date, the property was under construction.	RMB927,600,000 (100% interest attributable to the Acquired Group: RMB927,600,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2006) He Zi (Jiang Bei) No. 798 dated 30 December 2006, the land use rights of a parcel of land with a site area of approximately 219,815.40 sq.m. have been granted to Chongqing Yingfeng Property Co., Limited（重慶盈豐地產有限公司）(“Chongqing Yingfeng”), a 100%-owned subsidiary of Extol, for a term of 50 years for residential use at a total land grant fee of RMB253,670,000.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the property with a total site area of approximately 72,480.70 sq.m. have been granted to Chongqing Yingfeng. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Usage and Land Use Term Expiry Date
103D Fang Di Zheng 2014 Zi No. 00033	26 January 2014	19,385.70	Residential: 30 December 2056
103D Fang Di Zheng 2014 Zi No. 00034	26 January 2014	15,269.20	Residential: 30 December 2056
103D Fang Di Zheng 2014 Zi No. 00035	26 January 2014	3,878.60	Residential: 30 December 2056
103D Fang Di Zheng 2014 Zi No. 00051	26 January 2014	1,896.50	Residential: 30 December 2056
103D Fang Di Zheng 2014 Zi No. 00052	26 January 2014	419.10	Residential: 30 December 2056
103D Fang Di Zheng 2014 Zi No. 00125	28 January 2014	31,631.60	Residential: 30 December 2056
	Total:	**72,480.70**	

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. Jian 500105200900126 dated 17 March 2009, Chongqing Yingfeng is permitted to use a parcel of land with a site area of approximately 219,815.00 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. Pursuant to two Planning Permits for Construction Works – Jian Zi Nos. 500105201200096 and 500105201300105 dated 31 October 2012 and 30 October 2013 respectively, the total approved construction scale of the property is approximately 230,525.98 sq.m..

5. Pursuant to two Approvals for Commencement of Construction Works – Nos. 500000201305150101 and 500000201305160301 dated 15 May 2013 and 16 May 2013 respectively, the construction works of the property with a total construction scale of approximately 233,494.14 sq.m. has been approved for commencement.

6. Pursuant to six Chongqing Pre-sale Permits for Commodity Housing – Yu Guo Tu Fang Guan (2013) Yu Zi No. 1066-1 and Yu Guo Tu Fang Guan (2014) Yu Zi Nos. 214, 362, 448, 557 and 850 dated between 4 March 2014 and 19 September 2014, portion of the property with a total gross floor area of approximately 67,051.98 sq.m. has been pemitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB450,300,000 and the estimated outstanding construction cost for completion of the property was approximately RMB192,700,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 18,787.12 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB109,800,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is in the sum of RMB1,317,100,000.

10. As confirmed by the Company, the property is subject to a mortgage.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Chongqing Yingfeng is the legal user of the land parcels of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Chongqing Yingfeng is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Chongqing Yingfeng has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold portion of the property, Chongqing Yingfeng is permitted to pre-sell the remaining portion of the property under the Chongqing Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
6.	Phases I and II-1 of PKU Resources – Yannan Project, 3 Xingyan Road, Jiulongpo District, Chongqing, PRC	PKU Resources – Yannan Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises Phases I and II-1 of the Development, which are being erected on three parcels of land with a total site area of approximately 65,295.70 sq.m.. The Development is located in Dadukou Area of Jiulongpo District, Chongqing, which is a developed area. Developments in the vicinity are dominated by medium to high-rise residential developments of various ages. It is at about 50 minutes' drive to Chongqing Jiangbei International Airport and at about 30 minutes' drive to the city centre of Chongqing. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 339,002.78 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:	As at the valuation date, the property was under construction.	RMB1,195,200,000 (70% interest attributable to the Acquired Group: RMB836,640,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Phase I	
Residential	124,734.23
Commercial	17,246.91
Car park	41,843.39
Ancillary facilities	1,256.75
Sub-total:	185,081.28
Phase II-1	
Residential	108,783.02
Commercial	8,887.06
Car park	34,985.20
Ancillary facilities	1,266.22
Sub-total:	153,921.50
Total:	**339,002.78**

As advised by the Company, the property is scheduled for completion by phases between the second and fourth quarters of 2015.

The land use rights of the property have been granted for a term expiring on 30 April 2063 for residential use.

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2013) He Zi (Jiu Qu) No. 197 dated 21 June 2013, the land use rights of nine parcels of land with a total site area of approximately 144,063.00 sq.m. have been granted to Chongqing Fangyuan Yingrun Property Co., Limited (重慶方源盈潤置業有限公司) ("Chongqing Fangyuan"), an indirectly-owned subsidiary which has 51% effective interest attibutable to Keen Delight and a 19%-owned associate of Chongqing Resources, for a term of 50 years for residential use at a land grant fee of RMB1,650,000,000.

   As advised by the Company, the property only comprises portion of the land parcels as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to three State-owned Land Use Rights Certificates – 105D Fang Di Zheng 2013 Zi Nos. 00627 to 00629 all dated 27 November 2013, the land use rights of the land parcels of the property with a total site area of approximately 65,295.70 sq.m. have been granted to Chongqing Fangyuan for a term expiring on 30 April 2063 for residential use.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 500107201300031 dated 25 July 2013, Chongqing Fangyuan is permitted to use a parcel of land with a site area of approximately 144,063.00 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. Pursuant to two Planning Permits for Construction Works – Jian Zi Nos. 500107201300080 and 500107201400520 dated 24 October 2013 and 24 April 2014 respectively, the total approved construction scale of the property is approximately 339,002.78 sq.m..

5. Pursuant to two Approvals for Commencement of Construction Works – Nos. 500107201312020101 and 500107201405220101 dated 2 December 2013 and 22 May 2014 respectively, the construction works of the property with a total construction scale of approximately 339,002.78 sq.m. has been approved for commencement.

6. Pursuant to five Chongqing Pre-sale Permits for Commodity Housing – Yu Guo Tu Fang Guan (2013) Yu Zi No. 1069 and Yu Guo Tu Fang Guan (2014) Yu Zi Nos. 230, 317, 666 and 924 dated between 5 December 2013 and 13 October 2014, portion of the property with a total gross floor area of approximately 116,668.09 sq.m. has been permitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB129,000,000 and the estimated outstanding construction cost for completion of the property was approximately RMB694,000,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 81,685.09 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB514,200,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is in the sum of RMB2,469,600,000.

10. As confirmed by the Company, the property is subject to a mortgage.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Chongqing Fangyuan is the legal user of the land parcels of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Chongqing Fangyuan is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Chongqing Fangyuan has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold portion of the property, Chongqing Fangyuan is permitted to pre-sell the remaining portion of the property under the Chongqing Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
7.	Phase I of PKU Resources – Boya Binjiang Project, Section I of Huaguoshan Lot No. 1-2, Wenfeng West Road, Xinan Area, Sanshui District, Foshan, Guangdong Province, PRC	PKU Resources – Boya Binjiang Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises Phase I of the Development, which is being erected on a parcel of land with a site area of approximately 53,297.60 sq.m.. The Development is located in Sanshui District, Foshan, which is a well-established area. It is situated adjacent to Beijiang River. Developments in the vicinity are dominated by residential developments. It is at about an hour's drive to Guangzhou Baiyun International Airport and at about an hour's drive to the city centre of Foshan. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 215,692.03 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 163,162.74 Commercial 7,528.09 Car park 39,673.56 Ancillary facilities 5,327.64 **Total: 215,692.03** As advised by the Company, the property is scheduled for completion in the second quarter of 2016. The land use rights of the property have been granted for two concurrent terms expiring on 16 March 2084 for residential use and 16 March 2054 for commercial use respectively.	As at the valuation date, the property was under construction.	RMB419,000,000 (51% interest attributable to the Acquired Group: RMB213,690,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 440607-2014-000088 dated 14 March 2014, the land use rights of a parcel of land with a site area of approximately 199,286.50 sq.m. have been granted to Foshan Peking University Resources Property Co., Limited（佛山北大資源地產有限公司）("Foshan Resources"), a 51%-owned subsidiary of Keen Delight, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB957,000,000.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to the State-owned Land Use Rights Certificate – Fo San Guo Yong (2014) No. 0103820 dated 23 May 2014, the land use rights of the land parcel of the property with a site area of approximately 53,297.60 sq.m. have been granted to Foshan Resources for two concurrent terms expiring on 16 March 2084 and 16 March 2054 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 440607201400020 dated 12 March 2014, Foshan Resources is permitted to use a parcel of land with a site area of approximately 199,286.50 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. Pursuant to ten Planning Permits for Construction Works – Jian Zi Nos. 440607201400176 to 440607201400185 all dated 21 March 2014, the total approved construction scale of the property is approximately 215,692.03 sq.m..

5. Pursuant to ten Approvals for Commencement of Construction Works – Nos. 440621201404150101-2, 440621201404150201-2, 440621201404150301-2, 440621201404150401-2, 440621201404160201-2, 440621201404160301-2, 440621201404160401-2, 440621201404160501-2, 440621201404160601-2 and 440621201404160701-2 dated between 15 April 2014 and 16 April 2014 and revised on 3 June 2014, the construction works of the property with a total construction scale of approximately 215,692.02 sq.m. has been approved for commencement.

6. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB115,500,000 and the estimated outstanding construction cost for completion of the property was approximately RMB487,800,000. We have taken into account the aforesaid amounts in our valuation.

7. The market value of the property as if completed as at the valuation date is in the sum of RMB1,339,900,000.

8. As confirmed by the Company, the property is free from any mortgages.

9. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Foshan Resources is the legal user of the land parcel of the property;

   ii. Foshan Resources is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract; and

   iii. Foshan Resources has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
8.	Phases I and II of PKU Resources – Dream City Project, 235 Jiaxiu North Road, Guanshanhu District, Guiyang, Guizhou Province, PRC	PKU Resources – Dream City Project (the "Development") is a large-scale residential, apartment and commercial development, which is being developed in phases. The property comprises Phases I and II of the Development, which are being erected on three parcels of land with a total site area of approximately 121,405.90 sq.m..	As at the valuation date, the property was under construction.	RMB1,327,900,000 (70% interest attributable to the Acquired Group: RMB929,530,000)

The Development is located in Guanshanhu District of Guiyang. Developments in the vicinity are dominated by commercial buildings. It is at about 15 minutes' drive to Guiyang North Railway Station and at about 25 minutes' drive to Guiyang Longdongbao International Airport and the city centre of Guiyang.

According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 417,495.23 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:

Use	Approximate Gross Floor Area *(sq.m.)*
Phase I	
Apartment	166,498.75
Commercial	70,060.77
Car park	51,470.19
Ancillary facilities	12,956.42
Sub-total:	300,986.13
Phase II	
Apartment	76,068.07
Commercial	14,148.39
Car park	24,195.70
Ancillary facilities	2,096.94
Sub-total:	116,509.10
Total:	**417,495.23**

As advised by the Company, the property is scheduled for completion in the first quarter of 2016.

The land use rights of the property have been granted for a term expiring on 20 January 2054 for commercial use.

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 520191-2013-CR-0010 dated 18 March 2013, the land use rights of a parcel of land with a site area of approximately 247,516.60 sq.m. have been granted to Guiyang Henglong Property Co., Limited（貴陽恒隆置業有限公司）(“Guiyang Henglong”), a 70%-owned subsidiary of Guiyang Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB575,000,000.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the property with a total site area of approximately 121,405.90 sq.m. have been granted to Guiyang Henglong. Details of the certificates are as follows:

Certificate No.	**Date of Issue**	**Site Area** *(sq.m.)*	**Usage and Land Use Term Expiry Date**
Qian Zhu Gao Xin Guo Yong (2013) No. 51	9 August 2013	37,570.20	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 52	9 August 2013	64,189.70	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 53	9 August 2013	19,646.00	Commercial: 20 January 2054
	Total:	**121,405.90**	

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 520000201219200 dated 9 April 2013, Guiyang Henglong is permitted to use a parcel of land with a site area of approximately 247,516.60 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. Pursuant to two Planning Permits for Construction Works – Jian Zi Nos. 520000201334652 and 520000201429757 dated 11 November 2013 and 28 July 2014 respectively, the total approved construction scale of the property is approximately 417,495.23 sq.m..

5. Pursuant to five Approvals for Commencement of Construction Works – Nos. 520101201310080201 (Guan), 520101201310080301 (Guan), 520101201310080401 (Guan), 520101201405160101 (Guan) and 520101201405160201 (Guan) dated between 15 November 2013 and 13 August 2014, the construction works of the property with a total construction scale of approximately 417,495.22 sq.m. has been approved for commencement.

6. Pursuant to three Guiyang Pre-sale Permits for Commodity Housing – (2013) Zhu Shang Fang Yu Zi Nos. 136 and 137 and (2014) Zhu Shang Fang Yu Zi No. 094 dated between 16 November 2013 and 19 August 2014, portion of the property with a total gross floor area of approximately 240,149.53 sq.m. has been permitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB319,500,000 and the estimated outstanding construction cost for completion of the property was approximately RMB1,222,700,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 194,648.10 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB1,755,100,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is in the sum of RMB3,647,800,000.

10. As confirmed by the Company, the property is subject to a mortgage.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Guiyang Henglong is the legal user of the land parcels of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Guiyang Henglong is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Guiyang Henglong has obtained the Planning Permit for Construction Land, Planning Permits for Construction Works and Approvals for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold portion of the property, Guiyang Henglong is permitted to pre-sell the remaining portion of the property under the Guiyang Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
9.	Xinduxinyuan Project, 249 Chongqing South Road, Shibei District, Qingdao, Shandong Province, PRC	Xinduxinyuan Project is a large-scale residential development and is being erected on three parcels of land with a total site area of approximately 20,593.80 sq.m.. The property is located in Shibei District, Qingdao, which is a well-established area. Developments in the vicinity are dominated by residential buildings of various ages and heights. It is at about 25 minutes' drive to Qingdao Liuting International Airport and at about 10 minutes' drive to the city centre of Qingdao. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 74,717.09 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 15,247.25 Residential (Price-restricted) 39,332.95 Commercial 4,257.72 Car park 15,322.00 Ancillary facilities 557.17 **Total: 74,717.09** As advised by the Company, the property is scheduled for completion in the third quarter of 2015. The land use rights of the property have been granted for two concurrent terms expiring on 14 May 2083 for residential use and 14 May 2053 for commercial use respectively.	As at the valuation date, the property was under construction.	RMB283,000,000 (70% interest attributable to the Acquired Group: RMB198,100,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Qing Dao-01-2013-0032 dated 2 May 2013, the land use rights of the land parcel of the property with a site area of approximately 20,593.80 sq.m. have been granted to Qingdao Boya Huafu Property Co., Limited（青島博雅華府置業有限公司）("Qingdao Boya"), a 70%-owned subsidiary of Qingdao Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB151,574,487.

2. Pursuant to following Realty Title Certificates, the land use rights of the land parcels of the property with a total site area of approximately 20,593.80 sq.m. have been granted to Qingdao Boya. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Usage and Land Use Term Expiry Date
Qing Fang Di Quan Shi Zi No. 201363686	31 May 2013	13,257.00	Residential (Price-restricted): 14 May 2083
Qing Fang Di Quan Shi Zi No. 201363801	3 June 2013	1,655.20	Commercial: 14 May 2053
Qing Fang Di Quan Shi Zi No. 201363818	3 June 2013	5,681.60	Residential: 14 May 2083
	Total:	**20,593.80**	

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 370203201302019 dated 2 August 2013, Qingdao Boya is permitted to use the land parcel of the property with a site area of approximately 20,593.80 sq.m. for development.

4. Pursuant to the Planning Permit for Construction Works – Jian Zi No. 370200201302097 dated 12 August 2013 and revised on 9 December 2013, the approved construction scale of the property is approximately 74,717.09 sq.m..

5. Pursuant to the Approval for Commencement of Construction Works – No. 370203201210170101 dated 17 October 2013, the construction works of the property with a construction scale of approximately 74,717.09 sq.m. has been approved for commencement.

6. Pursuant to the Qingdao Pre-sale Permit for Price-restricted Commodity Housing – Qing Xian Fang Zhu Zi [2013] No. 014 dated 26 November 2013 and two Qingdao Pre-sale Permits for Commodity Housing – Qing Fang Zhu Zi [2014] Nos. 018 and 052 dated 25 April 2014 and 25 July 2014 respectively, portion of the property with a total gross floor area of approximately 60,538.67 sq.m. has been permitted for pre-sale.

7. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB118,100,000 and the estimated outstanding construction cost for completion of the property was approximately RMB115,500,000. We have taken into account the aforesaid amounts in our valuation.

8. As advised by the Company, portion of the property with a total gross floor area of approximately 49,659.95 sq.m. has been pre-sold under various agreements for sale and purchase at a total consideration of approximately RMB366,200,000. We have taken into account the aforesaid amount in our valuation.

9. The market value of the property as if completed as at the valuation date is in the sum of RMB493,700,000.

10. As confirmed by the Company, the property is subject to a mortgage.

11. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Qingdao Boya is the legal user of the land parcels of the property;

    ii. save for the restrictions of the afore-mentioned mortgage, Qingdao Boya is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

    iii. Qingdao Boya has obtained the Planning Permit for Construction Land, Planning Permit for Construction Works and Approval for Commencement of Construction Works for the construction of the property; and

    iv. save for the afore-mentioned pre-sold portion of the property, Qingdao Boya is permitted to pre-sell the remaining portion of the property under Qingdao Pre-sale Permit for Price-restricted Commodity Housing and Qingdao Pre-sale Permits for Commodity Housing.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
10.	Phase I of PKU Resources – Boya Huafu Project, 49 Changsha Road, Shibei District, Qingdao, Shandong Province, PRC	PKU Resources – Boya Huafu Project (the "Development") is a large-scale residential development, which is being developed in phases and is being erected on three parcels of land with a total site area of approximately 59,644.10 sq.m. (including the allocated land with a site area of approximately 2,023.40 sq.m.). The property comprises Phase I of the Development. The Development is located in Shibei District, Qingdao, which is a well-established area. Developments in the vicinity are dominated by residential buildings of various ages and heights. It is at about 25 minutes' drive to Qingdao Liuting International Airport and at about 10 minutes' drive to the city centre of Qingdao. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 54,971.28 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:	As at the valuation date, the property was under construction.	RMB275,500,000 (70% interest attributable to the Acquired Group: RMB192,850,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Residential (including public rental housing)	45,594.08
Commercial	6,637.64
Car park	1,800.53
Ancillary facilities	759.03
Total:	**54,791.28**

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
		As advised by the Company, the property is scheduled for completion in the fourth quarter of 2016. The land use rights of two land parcels of the property with a total site area of approximately 57,620.70 sq.m. have been granted for two concurrent terms expiring on 29 December 2083 for residential use and 29 December 2053 for commercial use respectively. The remaining portion of the property has been allocated for residential (public rental housing) use.		

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Qing Dao-01-2013-0121 dated 30 December 2013, the land use rights of the land parcel of the Development (excluding the public rental housing portion) with a site area of approximately 57,620.70 sq.m. have been granted to Qingdao Bolai Property Co., Limited（青島博萊置業有限公司）(“Qingdao Bolai”), a 70%-owned subsidiary of Qingdao Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB544,515,000.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the Development with a total site area of approximately 59,654.10 sq.m. have been granted / allocated to Qingdao Bolai. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Usage and Land Use Term Expiry Date
Qing Fang Di Quan Shi Zi No. 201414344	14 February 2014	47,223.90	Residential: 29 December 2083
Qing Fang Di Quan Shi Zi No. 201414345	14 February 2014	2,023.40	Residential (public rental housing): allocated land
Qing Fang Di Quan Shi Zi No. 201414347	14 February 2014	10,396.80	Commercial: 29 December 2053
	Total:	**59,644.10**	

3. Pursuant to the Planning Permit for Construction Land – No. 370200201402017 dated 30 April 2014, Qingdao Bolai is permitted to use the land parcel of the Development with a site area of approximately 59,644.10 sq.m. for development.

4. Pursuant to the Planning Permit for Construction Works – Jian Zi Di No. 370200201402040 dated 3 June 2014, the approved construction scale of the property is approximately 54,791.28 sq.m..

5. Pursuant to the Approval for Commencement of Construction Works – No. 3702002014093001010 dated 30 September 2014, the construction works of the property with a construction scale of approximately 54,791.28 sq.m. has been approved for commencement.

6. As advised by the Company, the total construction cost expended as at the valuation date was approximately RMB37,200,000 and the estimated outstanding construction cost for completion of the property was approximately RMB155,200,000. We have taken into account the aforesaid amounts in our valuation.

7. The market value of the property as if completed as at the valuation date is in the sum of RMB614,600,000.

8. As confirmed by the Company, the property is free from any mortgages.

9. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Qingdao Bolai is the legal user of the land parcels of the property;

   ii. Qingdao Bolai is entitled to occupy and use the granted land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract;

   iii. Qingdao Bolai is entitled to occupy and use the allocated land parcel of the property for the construction and letting of the public rental housing in accordance with the PRC laws; and

   iv. Qingdao Bolai has obtained the Planning Permit for Construction Land, Planning Permit for Construction Works and Approval for Commencement of Construction Works for the construction of the property.

Group III – Properties held by the Acquired Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
11.	Phase III of PKU Resources – Yannan International Project, 211 Hangdu Avenue 2nd Section, Yingchunqiao Community, Dongsheng Area, Shuangliu County, Chengdu, Sichuan Province, PRC	PKU Resources – Yannan International Project (the "Development") is a large-scale residential development, which is being developed in phases and is being erected on a parcel of land with a site area of approximately 64,465.14 sq.m.. The property comprises Phase III of the Development. The Development is located in Yingchunqiao Community of Shuangliu County, Chengdu, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 15 minutes' drive to Chengdu Shuangliu International Airport and at about 40 minutes' drive to the city centre of Chengdu. As advised by the Company, the property has a total gross floor area of approximately 47,609.34 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 32,321.35 Commercial 6,434.67 Car park 7,774.82 Ancillary facilities 1,078.50 **Total: 47,609.34** The land use rights of the property have been granted for two concurrent terms expiring on 18 July 2083 for residential use and 18 July 2053 for commercial use respectively.	As at the valuation date, the property was vacant land.	RMB197,000,000 (70% interest attributable to the Acquired Group: RMB137,900,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 510106-2013-B-007 (Shuang) and its supplementary agreement dated 28 June 2013 and 12 July 2013 respectively, the land use rights of the land parcel of the Development with a site area of approximately 64,465.14 sq.m. have been granted to Chengdu Lihui Property Co., Limited（成都立輝地產有限公司）(“Chengdu Lihui”), a 51%-owned subsidiary of Keen Delight and a 19%-owned associate of Chengdu Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB768,746,715. As stipulated, the construction works of the proposed development on such land parcel shall be commenced before 28 December 2013 and completed before 28 December 2015.

2. Pursuant to the State-owned Land Use Rights Certificate – Shuang Guo Yong (2013) No. 26915 dated 13 November 2013, the land use rights of the land parcel of the Development with a site area of approximately 64,465.14 sq.m. have been granted to Chengdu Lihui for two concurrent terms expiring on 18 July 2083 and 18 July 2053 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 510122201321077 dated 17 July 2013, Chengdu Lihui is permitted to use the land parcel of the Development with a site area of approximately 96.6977 mu (64,465.13 sq.m.) for development.

4. As confirmed by the Company, the property is subject to a mortgage.

5. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, inter alia, the following information:

   i. Chengdu Lihui is the legal user of the land parcel of the property; and

   ii. save for the restrictions of the afore-mentioned mortgage, Chengdu Lihui is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract and its supplementary agreement.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
12.	Phase III of PKU Resources – Boya Project, 96 – 106 Jinzhou Avenue, Chongqing New North Zone, Yubei District, Chongqing, PRC	PKU Resources – Boya Project (the "Development") is a large-scale residential development, which is being developed in phases and is being erected on four parcels of land with a total site area of approximately 143,648.00 sq.m.. The property comprises Phase III of the Development. The Development is located near Zhaomushan Park in Chongqing New North Zone of Yubei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium to low-rise residential developments of similar ages. It is at about 25 minutes' drive to Chongqing Jiangbei International Airport and at about 30 minutes' drive to the city centre of Chongqing. According to the latest development proposal provided by the Company, the property has a total gross floor area of approximately 69,970.98 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows: **Use** / **Approximate Gross Floor Area** *(sq.m.)* Residential 19,467.72 Commercial 34,764.42 Car park 15,738.84 **Total: 69,970.98** The land use rights of the property have been granted for two concurrent terms expiring on 30 December 2062 for residential use and 30 December 2052 for commercial use respectively.	As at the valuation date, the property was vacant land.	RMB337,500,000 (70% interest attributable to the Acquired Group: RMB236,250,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2012) He Zi (Bei Bu Xin Qu) No. 185 dated 21 June 2012, the land use rights of the land parcels of the Development with a total site area of approximately 143,648.00 sq.m. have been granted to Chongqing Yingpu Investment Co., Limited（重慶盈普投資有限公司）(“Chongqing Yingpu”), a 70%-owned subsidiary of Chongqing Resources, for two concurrent terms of 40 years for commercial use and 50 years for residential use respectively at a land grant fee of RMB1,077,450,000. As stipulated, the construction works of the proposed development on such land parcels shall be commenced before 30 June 2013 and completed before 30 June 2015.

2. Pursuant to four State-owned Land Use Rights Certificates – 115 Fang Di Zheng 2012 Zi No. 12496 and 115 Fang Di Zheng 2014 Zi Di Nos. 04169, 12525 and 25073 dated between 21 August 2012 and 15 September 2014, the land use rights of the land parcels of the Development with a total site area of approximately 143,648.00 sq.m. have been granted to Chongqing Yingpu for two concurrent terms expiring on 30 December 2062 and 30 December 2052 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 500140201200039 dated 1 August 2012, Chongqing Yingpu is permitted to use the land parcels of the Development with a total site area of approximately 143,660.00 sq.m. for development.

4. As confirmed by the Company, the property is subject to a mortgage.

5. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, inter alia, the following information:

   i. Chongqing Yingpu is the legal user of the land parcels of the property; and

   ii. save for the restrictions of the afore-mentioned mortgage, Chongqing Yingpu is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
13.	Phase III and future phases of PKU Resources – Jiangshan Mingmen Project, Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	PKU Resources – Jiangshan Mingmen Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises seven parcels of land with a total site area of approximately 280,519.00 sq.m. on which Phase III and future phases of the Development are proposed to be erected. The Development is located along Hai'er Road in Cuntan Area of Jiangbei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 20 minutes' drive to Chongqing Jiangbei International Airport and at about 25 minutes' drive to the centre of Jiangbei District, Chongqing. As advised by the Company, the maximum permissible gross floor area of the property is approximately 563,357.99 sq.m.. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for four concurrent terms expiring on 30 December 2056 and 14 December 2060 for residential use and 30 December 2046 and 14 December 2050 for commercial use respectively.	As at the valuation date, the property was vacant land.	RMB1,136,000,000 (100% interest attributable to the Acquired Group: RMB1,136,000,000) *(See Note 8)*

Notes:

1. Pursuant to three State-owned Land Use Rights Grant Contracts – Yu Di (2006) He Zi (Jiang Bei) No. 798 (the "798 Contract") and Yu Di (2010) He Zi (Jiang Bei) Nos. 171 and 174 (the "171 and 174 Contracts") dated 30 December 2006 and 13 October 2010 respectively, the land use rights of various parcels of land with a total site area of approximately 453,418.40 sq.m. have been granted to Chongqing Yingfeng Property Co., Limited（重慶盈豐地產有限公司）("Chongqing Yingfeng"), a 100%-owned subsidiary of Extol, for two concurrent terms of 40 years for commercial use and 50 years for residential use respectively at a total land grant fee of RMB961,040,000.

   As advised by the Company, the property only comprises portion of the land parcels as stated in the afore-mentioned State-owned Land Use Rights Grant Contracts.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the property with a total site area of approximately 280,519.00 sq.m. have been granted to Chongqing Yingfeng. Details of the certificates are as follows:

Certificate No.	Land Grant Contract No.	Date of Issue	Site Area *(sq.m.)*	Usage and Land Use Term Expiry Date
103D Fang Di Zheng 2009 Zi No. 00695	Yu Di (2006) He Zi (Jiang Bei) No. 798	23 September 2009	66,213.90	Commercial: 30 December 2046 Residential: 30 December 2056
103D Fang Di Zheng 2010 Zi No. 02088	Yu Di (2010) He Zi (Jiang Bei) No. 174	17 December 2010	38,966.30	Commercial: 14 December 2050 Residential: 14 December 2060
103D Fang Di Zheng 2010 Zi No. 02089	Yu Di (2010) He Zi (Jiang Bei) No. 174	17 December 2010	50,256.20	Commercial: 14 December 2050 Residential: 14 December 2060
103D Fang Di Zheng 2010 Zi No. 02090	Yu Di (2010) He Zi (Jiang Bei) No. 171	17 December 2010	43,725.20	Commercial: 14 December 2050 Residential: 14 December 2060
103D Fang Di Zheng 2010 Zi No. 02092	Yu Di (2010) He Zi (Jiang Bei) No. 171	17 December 2010	33,349.80	Commercial: 14 December 2050 Residential: 14 December 2060
103D Fang Di Zheng 2010 Zi No. 02093	Yu Di (2010) He Zi (Jiang Bei) No. 174	17 December 2010	33,040.60	Commercial: 14 December 2050 Residential: 14 December 2060
103D Fang Di Zheng 2014 Zi No. 00038	Yu Di (2006) He Zi (Jiang Bei) No. 798	26 January 2014	14,967.00	Residential: 30 December 2056
		Total:	**280,519.00**	

3. Pursuant to the afore-mentioned 171 and 174 Contracts in Note 1 and the Letter on Postponing the Commencement and Completion Dates of the Construction Project of Chongqing Yingfeng Investment Co., Limited（《關於重慶盈豐投資有限公司開發建設項目延期開竣工的函》）– Yu Guo Tu Fang Guan Han [2014] No. 34 dated 6 January 2014, details of the stipulations regarding the construction period of the proposed development on the land parcels under the 171 and 174 Contracts are as follows:

   i. the construction works of the proposed development on the land parcels shall be commenced before 30 December 2013 and completed before 30 December 2015. In case the construction works cannot be commenced on time, prior application for extension shall be filed with the government authority 30 days in advance; and

   ii. if the construction works of the proposed development on the land parcels has not been commenced until the date as stipulated or any further dates as extended by the government authority, Chongqing Yingfeng shall pay 0.03% of the land grant fee per day as default charges for such delay.

4. Pursuant to the Planning Permit for Construction Land – Di Zi No. Jian 500105200900126 dated 17 March 2009, Chongqing Yingfeng is permitted to use the land parcel under the afore-mentioned 798 Contract in Note 1 with a site area of approximately 219,815.00 sq.m. for development.

5. As advised by the Company, no construction works of the property has been commenced as at the valuation date and Chongqing Yingfeng has not filed time extension application for the commencement date of the construction works with the government authority.

6. As confirmed by the Company, the property is subject to two mortgages.

7. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Chongqing Yingfeng is the legal user of the land parcels of the property;

   ii. save for the restrictions of the afore-mentioned mortgages, Chongqing Yingfeng is entitled to occupy and use the land parcels and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contracts; and

   iii. the delay in commencement of the construction works of the property will not cause any material adverse effects on the proposed acquisition since it has been confirmed by government authority that no default charges will be levied against such delay, which was caused due to demolition of existing structures on the land parcels of the property.

8. In undertaking our valuation, we have assumed that approval from the relevant government authority for the delay in commencement and completion dates of the construction works of the property would be obtained by the Company at no default charges.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
14.	Phase II-2 of PKU Resources – Yannan Project, Land Lot No. C09-1-2/04, Dadukou Area, Jiulongpo District, Chongqing, PRC	PKU Resources – Yannan Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises a parcel of land with a site area of approximately 7,655.30 sq.m., on which Phase II-2 of the Development is proposed to be erected. The Development is located in Dadukou Area of Jiulongpo District, Chongqing, which is a developed area. Developments in the vicinity are dominated by medium to high-rise residential developments of various ages. It is at about 50 minutes' drive to Chongqing Jiangbei International Airport and at about 30 minutes' drive to the city centre of Chongqing. As advised by the Company, the maximum permissible gross floor area of the property is approximately 34,448.85 sq.m. at a plot ratio of 4.5. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for a term expiring on 30 April 2063 for residential use.	As at the valuation date, the property was vacant land.	RMB136,000,000 (70% interest attributable to the Acquired Group: RMB95,200,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2013) He Zi (Jiu Qu) No. 197 dated 21 June 2013, the land use rights of nine parcels of land with a total site area of approximately 144,063.00 sq.m. have been granted to Chongqing Fangyuan Yingrun Property Co., Limited（重慶方源盈潤置業有限公司）("Chongqing Fangyuan"), an indirectly-owned subsidiary which has 51% effective interest attibutable to Keen Delight and a 19%-owned associate of Chongqing Resources, for a term of 50 years for residential use at a land grant fee of RMB1,650,000,000. As stipulated, the construction works of the proposed development on such land parcels shall be commenced before 30 April 2014 and completed before 30 April 2017.

   As advised by the Company, the property only comprises portion of the land parcels as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to the State-owned Land Use Rights Certificate – 105D Fang Di Zheng 2013 Zi No. 00630 dated 28 November 2013, the land use rights of the land parcel of the property with a site area of approximately 7,655.30 sq.m. have been granted to Chongqing Fangyuan for a term expiring on 30 April 2063 for residential use.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 500107201300031 dated 25 July 2013, Chongqing Fangyuan is permitted to use a parcel of land with a site area of approximately 144,063.00 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. As confirmed by the Company, the property is subject to a mortgage.

5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Chongqing Fangyuan is the legal user of the land parcel of the property; and

   ii. save for the restrictions of the afore-mentioned mortgage, Chongqing Fangyuan is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
15.	Phases II to V of PKU Resources – Boya Binjiang Project, Sections II to V of Huaguoshan Lot No. 1-2, Wenfeng West Road, Xinan Area, Sanshui District, Foshan, Guangdong Province, PRC	PKU Resources – Boya Binjiang Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises four parcels of land with a total site area of approximately 145,988.90 sq.m. on which Phases II to V of the Development is proposed to be erected. The Development is located in Sanshui District, Foshan, which is a well-establised area. It is situated adjacent to Beijiang River. Developments in the vicinity are dominated by residential developments. It is at about an hour's drive to Guangzhou Baiyun International Airport and at about an hour's drive to the city centre of Foshan. As advised by the Company, the maximum permissible gross floor area of the property is approximately 510,961.15 sq.m. at a plot ratio of 3.5. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for two concurrent terms expiring on 16 March 2084 for residential use and 16 March 2054 for commercial use respectively.	As at the valuation date, the property was vacant land.	RMB739,000,000 (51% interest attributable to the Acquired Group: RMB376,890,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 440607-2014-000088 dated 14 March 2014, the land use rights of a parcel of land with a site area of approximately 199,286.50 sq.m. have been granted to Foshan Peking University Resources Property Co., Limited（佛山北大資源地產有限公司）("Foshan Resources"), a 51%-owned subsidiary of Keen Delight, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB957,000,000. As stipulated, the construction works of the proposed development on such land parcel shall be commenced before 1 March 2016 and completed before 28 February 2019.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the property with a total site area of approximately 145,988.90 sq.m. have been granted to Foshan Resources. Details of the certificates are as follows:

Certificate No.	**Date of Issue**	**Site Area** *(sq.m.)*	**Usage and Land Use Term Expiry Date**
Fo San Guo Yong (2014) No. 0103821	23 May 2014	40,121.90	Residential: 16 March 2084; commercial: 16 March 2054
Fo San Guo Yong (2014) No. 0103822	23 May 2014	29,716.80	Residential: 16 March 2084; commercial: 16 March 2054
Fo San Guo Yong (2014) No. 0103823	23 May 2014	42,431.30	Residential: 16 March 2084; commercial: 16 March 2054
Fo San Guo Yong (2014) No. 0103824	23 May 2014	33,718.90	Residential: 16 March 2084; commercial: 16 March 2054
	Total:	**145,988.90**	

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 440607201400020 dated 12 March 2014, Foshan Resources is permitted to use a parcel of land with a site area of approximately 199,286.50 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. As confirmed by the Company, the property is free from any mortgages.

5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Foshan Resources is the legal user of the land parcels of the property; and

   ii. Foshan Resources is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
16.	Phase III and future phases of PKU Resources – Dream City Project, Jiaxiu North Road, Guanshanhu District, Guiyang, Guizhou Province, PRC	PKU Resources – Dream City Project (the "Development") is a large-scale residential, apartment and commercial development, which is being developed in phases. The property comprises seven parcels of land with a total site area of approximately 126,020.00 sq.m. on which Phase III and furture phases of the Development is proposed to be erected. The Development is located in Guanshanhu District of Guiyang. Developments in the vicinity are dominated by commercial buildings. It is at about 15 minutes' drive to Guiyang North Railway Station and at about 25 minutes' drive to Guiyang Longdongbao International Airport and the city centre of Guiyang. As advised by the Company, the maximum permissible gross floor area of the property is approximately 457,604.40 sq.m.. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for two concurrent terms expiring on 20 January 2084 for residential use and 20 January 2054 for commercial use respectively.	As at the valuation date, the property was vacant land.	RMB363,000,000 (70% interest attributable to the Acquired Group: RMB254,100,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 520191-2013-CR-0010 dated 18 March 2013, the land use rights of a parcel of land with a site area of approximately 247,516.60 sq.m. have been granted to Guiyang Henglong Property Co., Limited（貴陽恒隆置業有限公司）("Guiyang Henglong"), a 70%-owned subsidiary of Guiyang Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB575,000,000. As stipulated, the construction works of the proposed development on such land parcel shall be commenced before 28 January 2014 and completed before 28 January 2016.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the property with a total site area of approximately 126,020.00 sq.m. have been granted to Guiyang Henglong. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Usage and Land Use Term Expiry Date
Qian Zhu Gao Xin Guo Yong (2013) No. 46	9 August 2013	24,578.10	Residential: 20 January 2084
Qian Zhu Gao Xin Guo Yong (2013) No. 47	9 August 2013	19,472.90	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 48	9 August 2013	23,003.40	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 49	9 August 2013	9,606.80	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 50	9 August 2013	22,129.90	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 54	9 August 2013	19,720.30	Commercial: 20 January 2054
Qian Zhu Gao Xin Guo Yong (2013) No. 55	9 August 2013	7,508.60	Commercial: 20 January 2054
	Total:	**126,020.00**	

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 520000201219200 dated 9 April 2013, Guiyang Henglong is permitted to use a parcel of land with a site area of approximately 247,516.60 sq.m. for development.

   As advised by the Company, the property only comprises portion of the land parcel as stated in the afore-mentioned Planning Permit for Construction Land.

4. As confirmed by the Company, the property is subject to two mortgages.

5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Guiyang Henglong is the legal user of the land parcels of the property; and

   ii. save for the restrictions of the afore-mentioned mortgages, Guiyang Henglong is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
17.	Land Lot No. SL1-7-128, Yingchunqiao Community, Dongsheng Area, Shuangliu County, Chengdu, Sichuan Province, PRC	The property comprises a parcel of land with a site area of approximately 62,563.93 sq.m.. The property is located in Yingchunqiao Community of Shuangliu County, Chengdu, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 15 minutes' drive to Chengdu Shuangliu International Airport and at about 40 minutes' drive to the city centre of Chengdu. As advised by the Company, the maximum permissible gross floor area of the property is approximately 187,691.79 sq.m at a plot ratio of 3.0. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for two concurrent terms expiring on 18 July 2083 for residential use and 18 July 2053 for commercial use respectively.	As at the valuation date, the property was vacant land.	RMB847,000,000 (70% interest attributable to the Acquired Group: RMB592,900,000) *(See Note 7)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 510106-2013-B-008 (Shuang) and its supplementary agreement dated 28 June 2013 and 17 January 2014 respectively, the land use rights of the land parcel of the property with a site area of approximately 62,563.93 sq.m. have been granted to Chengdu Lihui Property Co., Limited（成都立輝地產有限公司）("Chengdu Lihui"), a 51%-owned subsidiary of Keen Delight and a 19%-owned associate of Chengdu Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB800,000,000. Details of the stipulations regarding the construction period of the proposed development on such land parcel are as follows:

   i. the construction works of the proposed development on the land parcel of the property shall be commenced before 28 December 2013 and completed before 28 December 2015. In case the construction works cannot be commenced on time, prior application for extension shall be filed with the government authority 30 days in advance; and

   ii. if the construction works of the proposed development on the land parcel of the property has not been commenced until the date as stipulated or any further dates as extended by the government authority, Chengdu Lihui shall pay 0.1% of the land grant fee per day as default charges for such delay.

2. Pursuant to the State-owned Land Use Rights Certificate – Shuang Guo Yong (2014) No. 3458 dated 17 January 2014, the land use rights of the land parcel of the property with a site area of approximately 62,563.93 sq.m. have been granted to Chengdu Lihui for two concurrent terms expiring on 18 July 2083 and 18 July 2053 for residential and commercial uses respectively.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 510122201321110 dated 6 November 2013, Chengdu Lihui is permitted to use the land parcel of the property with a site area of approximately 66,666.67 sq.m. for development.

4. As advised by the Company, no construction works of the property has been commenced as at the valuation date and Chengdu Lihui has not filed time extension application for the commencement date of the construction works with the government authority.

5. As confirmed by the Company, the property is subject to a mortgage.

6. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Chengdu Lihui is the legal user of the land parcel of the property;

   ii. save for the restrictions of the afore-mentioned mortgage, Chengdu Lihui is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract and its supplementary agreement; and

   iii. the delay in commencement of the construction works of the property will not cause any material adverse effects on the proposed acquisition since Peking University Resources Group Property Holdings Company（北大資源集團地產有限公司）("PKU Property") assures to indemnify Chengdu Lihui the default charges levied by government authority. The amount of the indemnification is in proportion to the equity interest of Chengdu Lihui held by the Company at the time the default charges are levied.

7. In undertaking our valuation, we have assumed that approval from the relevant government authority for the delay in commencement and completion dates of the construction works of the property would be obtained by the Company and have not taken into account any default charges because PKU Property assures to indemnify Chengdu Lihui the said charges levied by the government authority, if any.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
18.	PKU Resources – Yuelai Project, Land Lot Nos. D13-1/04 and D13-2/04, Yuelai Area, Yubei District, Chongqing, PRC	The property comprises two parcels of land with a total site area of approximately 183,457.00 sq.m. on which PKU Resources – Yuelai Project, a large-scale residential development, is proposed to be erected. The property is located at Yuelai Area of Yubei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium to high-rise residential developments of similiar ages. The nearby Yuelai Station is the terminal of Chongqing Metro Guobo Line. It is at about 45 minutes' drive to Chongqing Jiangbei International Airport and at about 40 minutes' drive to the city centre of Chongqing. As advised by the Company, the maximum permissible gross floor area of the property is approximately 293,425.95 sq.m. at a plot ratio of 1.6. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for a term expiring on 3 June 2064 for residential use.	As at the valuation date, the property was vacant land.	RMB950,000,000 (70% interest attributable to the Acquired Group: RMB665,000,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2014) He Zi (Yu Bei) No. 86 dated 14 March 2014, the land use rights of the land parcels of the property with a total site area of approximately 183,457.00 sq.m. have been granted to Chongqing Yuefeng Property Co., Limited（重慶悦豐地產有限公司）("Chongqing Yuefeng"), a 70%-owned subsidiary of Chongqing Resources, for a term of 50 years for residential use at a land grant fee of RMB935,640,000. As stipulated, the construction works of the proposed development on such land parcels shall be commenced before 20 January 2015 and completed before 20 January 2018.

2. Pursuant to two State-owned Land Use Rights Certificates – 201D Fang Di Zheng 2014 Zi Nos. 00361 and 00363 both dated 18 June 2014, the land use rights of the land parcels of the property with a total site area of approximately 183,457.00 sq.m. have been granted to Chongqing Yuefeng for a term expiring on 3 June 2064 for residential use.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. 500141201400551 dated 13 August 2014, Chongqing Yuefeng is permitted to use the land parcel of the property with a site area of approximately 183,457.00 sq.m. for development.

4. As advised by the Company, the property is free from any mortgages.

5. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Chongqing Yuefeng is the legal user of the land parcels of the property; and

   ii. Chongqing Yuefeng is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
19.	PKU Resources – Time Project, Land Lot G-70, Southwestern corner of the junction of Yuetang Road and Zhaoxin Road, Yanghu Area, Yuelu District, Changsha, Hunan Province, PRC	The property comprises a parcel of land with a site area of approximately 69,337.05 sq.m. on which PKU Resources – Time Project, a large-scale residential development, is proposed to be erected. The property is located in Yanghu Area of Yuelu District, Changsha, which is a newly-developing area. It is situated adjacent to Changsha Yanghu Wetland Park. Various residential and commercial developments are under construction in the vicinity of the property. It is at about 30 minutes' drive to Changsha Huanghua International Airport and at about 20 minutes' drive to the city centre of Changsha. As advised by the Company, the maximum permissible gross floor area of the property is approximately 152,541.51 sq.m. at a plot ratio of 2.2. Detailed development plan of the property has not been finalised. The land use rights of the property have been granted for a term expiring on 24 June 2083 for residential use.	As at the valuation date, the property was vacant land.	RMB686,000,000 (70% interest attributable to the Acquired Group: RMB480,200,000) *(See Note 7)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Xian Dao No. 2013015 dated 25 June 2013, the land use rights of the land parcel of the property with a site area of approximately 69,337.05 sq.m. have been granted to Changsha Longxin Property Development Co., Limited (長沙隆鑫房地產開發有限公司) ("Changsha Longxin"), a 70%-owned subsidiary of Keen Delight, for a term of 70 years for residential use at a land grant fee of RMB635,140,000. Details of the stipulations regarding the construction period of the proposed development on such land parcel are as follows:

   i. the construction works of the proposed development on the land parcel of the property shall be commenced before 24 December 2013 and completed before 24 December 2015. In case the construction works cannot be commenced on time, prior application for extension shall be filed with the government authority 30 days in advance; and

   ii. if the construction works of the proposed development on the land parcel of the property has not been commenced until the date as stipulated or any further dates as extended by the government authority, Changsha Longxin shall pay 0.1% of the land grant fee per day as default charges for such delay.

2. Pursuant to the State-owned Land Use Rights Certificate – Chang Guo Yong (2013) No. 118817 dated 26 November 2013, the land use rights of the land parcel of the property with a site area of approximately 69,337.05 sq.m. have been granted to Changsha Longxin for a term expiring on 24 June 2083 for residential use.

3. Pursuant to the Planning Permit for Construction Land – Jian Gui [Di] Zi Di Chang Xian Chu [2014] No. 0014 dated 4 April 2014, Changsha Longxin is permitted to use the land parcel of the property with a site area of approximately 69,337.05 sq.m. for development.

4. As advised by the Company, no construction works of the property has been commenced as at the valuation date and Changsha Longxin has not filed time extension application for the commencement date of the construction works with the government authority.

5. As confirmed by the Company, the property is free from any mortgages.

6. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

    i. Changsha Longxin is the legal user of the land parcel of the property;

    ii. Changsha Longxin is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract; and

    iii. the delay in commencement of the construction works of the property will not cause any material adverse effects on the proposed acquisition since it has been confirmed by government authority that no default charges will be levied against any delay not exceeding one year.

7. In undertaking our valuation, we have assumed that approval from the relevant government authority for the delay in commencement and completion dates of the construction works of the property would be obtained by the Company at no default charges.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
20.	Phases II and III of PKU Resources – Boya Huafu Project, 49 Changsha Road, Shibei District, Qingdao, Shandong Province, PRC	PKU Resources – Boya Huafu Project (the "Development") is a large-scale residential development, which is being developed in phases and is being erected on three parcels of land with a total site area of approximately 59,644.10 sq.m. (including the allocated land with a site area of approximately 2,023.40 sq.m.). The property comprises Phases II and III of the Development. The Development is located in Shibei District, Qingdao, which is a well-established area. Developments in the vicinity are dominated by residential buildings of various ages and heights. It is at about 25 minutes' drive to Qingdao Liuting International Airport and at about 10 minutes' drive to the city centre of Qingdao. As advised by the Company, the property has a total gross floor area of approximately 140,789.61 sq.m.. Details of the uses and approximate gross floor areas of the property are as follows:	As at the valuation date, the property was vacant land.	RMB393,000,000 (70% interest attributable to the Acquired Group: RMB275,100,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Phase II	
Residential	54,093.40
Commercial	7,538.71
Car park	20,963.20
Ancillary facilities	1,095.15
Sub-total:	83,690.46
Phase III	
Residential	24,413.29
Commercial	9,528.92
Car park	22,515.85
Ancillary facilities	641.09
Sub-total:	57,099.15
Total:	**140,789.61**

The land use rights of the property have been granted for two concurrent terms expiring on 29 December 2083 for residential use and 29 December 2053 for commercial use respectively.

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Qing Dao-01-2013-0121 dated 30 December 2013, the land use rights of the land parcel of the Development (excluding the public rental housing portion) with a site area of approximately 57,620.70 sq.m. have been granted to Qingdao Bolai Property Co., Limited（青島博萊置業有限公司）(“Qingdao Bolai”), a 70%-owned subsidiary of Qingdao Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB544,515,000. As stipulated, the construction works of the proposed development on such land parcel shall be commenced before 13 January 2015 and completed before 12 January 2018.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the Development (excluding the public rental housing portion) with a total site area of approximately 57,620.70 sq.m. have been granted to Qingdao Bolai. Details of the certificates are as follows:

Certificate No.	**Date of Issue**	**Site Area** *(sq.m.)*	**Usage and Land Use Term Expiry Date**
Qing Fang Di Quan Shi Zi No. 201414344	14 February 2014	47,223.90	Residential: 29 December 2083
Qing Fang Di Quan Shi Zi No. 201414347	14 February 2014	10,396.80	Commercial: 29 December 2053
	Total:	**57,620.70**	

3. Pursuant to the Planning Permit for Construction Land – No. 370200201402017 dated 30 April 2014, Qingdao Bolai is permitted to use the land parcel of the Development with a site area of approximately 59,644.10 sq.m. for development.

4. Pursuant to two Planning Permits for Construction Works – Jian Zi Di Nos. 370200201402041 and 370200201402042 dated 3 June 2014 and 10 June 2014 respectively, the total approved construction scale of the property is approximately 140,789.61 sq.m..

5. As confirmed by the Company, the property is free from any mortgages.

6. We have been provided with a legal opinion on the title to the property issued by the Company’s PRC legal adviser, which contains, inter alia, the following information:

   i. Qingdao Bolai is the legal user of the land parcels of the property; and

   ii. Qingdao Bolai is entitled to occupy and use the land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
21.	Land Lot No. 3702050070011009, 45 Changsha Road, Shibei District, Qingdao, Shandong Province, PRC	The property comprises three parcels of land with a total site area of approximately 48,543.00 sq.m. (including the allocated land with a site area of approximately 1,213.20 sq.m.). The property is located in Shibei District, Qingdao, which is a well-established area. Developments in the vicinity are dominated by residential buildings of various ages and heights. It is at about 25 minutes' drive to Qingdao Liuting International Airport and at about 10 minutes' drive to the city centre of Qingdao. As advised by the Company, the maximum permissible gross floor area of the property is approximately 121,357.50 sq.m. (including the public rental housing with a total gross floor area of approximately 3,033.00 sq.m.) at a plot ratio of 2.5. Detailed development plan of the property has not been finalised. The land use rights of two land parcels of the property with a total site area of approximately 47,329.80 sq.m. have been granted for two concurrent terms expiring on 3 July 2084 for residential use and 3 July 2054 for commercial use respectively. The remaining portion of the property has been allocated for residential (public rental housing) use.	As at the valuation date, the property was vacant land.	RMB463,000,000 (70% interest Attributable to The Acquired Group: RMB324,100,000) *(See Note 5)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Qing Dao-01-2014-0036 dated 24 June 2014, the land use rights of the land parcel of the property (excluding the public rental housing portion) with a site area of approximately 47,329.80 sq.m. have been granted to Qingdao Bolai Property Co., Limited（青島博萊置業有限公司）("Qingdao Bolai"), a 70%-owned subsidiary of Qingdao Resources, for two

concurrent terms of 40 years for commercial use and 70 years for residential use respectively at a land grant fee of RMB459,099,060. As stipulated, the construction works of the proposed development on such land parcel shall be commenced before 3 July 2015 and completed before 2 July 2018.

2. Pursuant to following State-owned Land Use Rights Certificates, the land use rights of the land parcels of the property with a total site area of approximately 48,543.00 sq.m. have been granted / allocated to Qingdao Bolai. Details of the certificates are as follows:

Certificate No.	Date of Issue	Site Area *(sq.m.)*	Usage and Land Use Expiry Date
Qing Fang Di Quan Shi Zi No. 2014104296	2 September 2014	1,213.20	Residential (public rental housing): allocated land
Qing Fang Di Quan Shi Zi No. 2014104577	3 September 2014	24,283.00	Commercial: 3 July 2054
Qing Fang Di Quan Shi Zi No. 2014105111	4 September 2014	23,046.80	Residential: 3 July 2084
	Total:	**48,543.00**	

3. As confirmed by the Company, the property is free from any mortgages.

4. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Qingdao Bolai is the legal user of the land parcels of the property;

   ii. Qingdao Bolai is entitled to occupy and use the granted land parcels of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcels in accordance with the PRC laws and the stipulations of the land use rights grant contract; and

   iii. Qingdao Bolai is entitled to occupy and use the allocated land parcel of the property for the construction and letting of the public rental housing in accordance with the PRC laws.

5. In the course of our valuation, we have assigned no commercial value to the allocated land of the property with a site area of approximately 1,213.20 sq.m. as it cannot be freely transferable in the market.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
22.	PKU Resources – Shanshuinianhua Project, Land Lot P (2013) No. 160, South of Jiufeng 2nd Road and east of Shanhu North Road, Donghu Development Zone, Wuhan, Hubei Province, PRC	The property comprises a parcel of land with a site area of approximately 123,949.05 sq.m. on which PKU Resources – Shanshuinianhua Project (the "Development"), a large-scale residential development, is proposed to be erected. The property is located in Donghu Development Zone, Wuhan, which is a newly-developing area. Various residential and commercial developments are under construction in the vicinity of the property. It is at about an hour's drive to Wuhan Tianhe International Airport and at about 40 minutes' drive to the centre of Wuchang in Wuhan. As advised by the Company, the maximum permissible gross floor area of the property is approximately 223,108.29 sq.m. at a plot ratio of 1.8. As advised by the Company, Phase I of the Development has a total gross floor area of approximately 88,554.65 sq.m. whilst detailed development plan of the remaining portion of the property has not been finalized. Details of the uses and approximate gross floor areas of Phase I of the Development are as follows:	As at the valuation date, the property was vacant land.	RMB668,000,000 (70% interest attributable to the Acquired Group: RMB467,600,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Phase I	
Residential	61,643.05
Commercial	10,996.95
Basement	12,545.61
Ancillary facilities	3,369.34
Total:	**88,554.95**

The land use rights of the property have been granted for a term expiring on 31 December 2083 for residential use.

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – E WH (DHK) – 2013-00084 dated 31 December 2013, the land use rights of the land parcel of the property with a site area of approximately 123,949.05 sq.m. have been granted to Wuhan Tianhe Jincheng Property Development Co., Limited（武漢天合錦程房地產發展有限公司）("Wuhan Tianhe"), a 70%-owned subsidiary of Extol, for a term of 70 years for residential use at a land grant fee of RMB626,150,000. As stipulated, the construction works of the proposed development on such land parcel shall be commenced before 31 December 2014 and completed before 31 December 2017.

2. Pursuant to the State-owned Land Use Rights Certificate – Wu Xin Guo Yong (2014) No. 033 dated 6 May 2014, the land use rights of the land parcel of the property with a site area of approximately 123,949.05 sq.m. have been granted to Wuhan Tianhe for a term expiring on 31 December 2083 for residential use.

3. Pursuant to the Planning Permit for Construction Land – Di Zi No. Wu Gui (Dong Kai) Di [2014] No. 046 dated 28 July 2014, Wuhan Tianhe is permitted to use a parcel of land with a site area of approximately 137,803.10 sq.m. for development (including portion of the land parcel with a site area of approximately 13,857.61 sq.m. for road construction).

4. Pursuant to the Planning Permit for Construction Works – Jian Zi No. Wu Gui (Dong Kai) Jian [2014] No. 092 dated 8 October 2014, the approved construction scale of Phase I of the property is approximately 88,554.65 sq.m..

5. As confirmed by the Company, the property is free from any mortgages.

6. We have been provided with a legal opinion on the title to the property issued by the Company's PRC legal adviser, which contains, inter alia, the following information:

   i. Wuhan Tianhe is the legal user of the land parcel of the property; and

   ii. Wuhan Tianhe is entitled to occupy and use the land parcel of the property and is also entitled to let, transfer and mortgage the land use rights of such land parcel in accordance with the PRC laws and the stipulations of the land use rights grant contract.

Group IV – Properties to be acquired by the Acquired Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
23.	Land Lot No. XJ07(252/211): 2012-85, Baiyun Village, Huayuan Town, Xinjin County, Chengdu, Sichuan Province, PRC	The property comprises a parcel of land with a site area of approximately 60,977.01 sq.m.. The property is located in Mumashan Area of Xinjin County, Chengdu. Developments in the vicinity are dominated by low-density residential developments. It is at about 25 minutes' drive to Chengdu Shuangliu International Airport and at about an hour's drive to the city centre of Chengdu. As advised by the Company, the maximum permissible gross floor area of the property is approximately 73,172.41 sq.m. at a plot ratio of 1.2. Detailed development plan of the property has not been finalised. The State-owned Land Use Rights Grant Contract of the property was signed on 6 August 2012 and the formal State-owned Land Use Rights Certificate of the property has not been obtained. (See Note 1 for details of the land use terms of the property)	As at the valuation date, the property was vacant land.	No commercial value *(See Note 2)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – No. 0114-2012-0041 dated 6 August 2012, the land use rights of the land parcel of the property with a site area of approximately 60,977.01 sq.m. have been granted to Xinjin Beichuang Property Development Co., Limited（新津北創房地產開發有限公司）("Xinjin Beichuang"), a 70%-owned subsidiary of Chengdu Resources, for two concurrent terms of 40 years for commercial use and 70 years for residential use at a land grant fee of RMB146,344,800.

   As advised by the Company, the land grant fee of the property has not been fully settled.

2. In the course of our valuation, we have assigned no commercial value to the property as Xinjin Beichuang has not obtained any valid title documents as at the valuation date. Had Xinjin Beichuang fully settled the land grant fee of the property and obtained all proper State-owned Land Use Rights Certificate(s) of the property, the market value of the property as at the valuation date would be in the sum of RMB99,000,000 (70% interest attributable to the Acquired Group: RMB69,300,000).

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
24.	Two parcels of land located at Hai'er Road, Heishizi Xingyao 3rd Village, Cuntan Area, Tangjiatuo, Jiangbei District, Chongqing, PRC	The property comprises two parcels of land with a total site area of approximately 39,148.60 sq.m.. The property is located along Hai'er Road in Cuntan Area of Jiangbei District, Chongqing, which is a newly-developing area. Developments in the vicinity are dominated by medium-rise residential developments of similar ages. It is at about 20 minutes' drive to Chongqing Jiangbei International Airport and at about 25 minutes' drive to the centre of Jiangbei District, Chongqing. As advised by the Company, the maximum permissible gross floor area of the property is approximately 80,425.06 sq.m.. Detailed development plan of the property has not been finalised. The State-owned Land Use Rights Grant Contracts of the property were signed on 30 December 2006 and 13 October 2010 respectively and the formal State-owned Land Use Rights Certificate of the property has not been obtained. (See Note 1 for details of the land use terms of the property)	As at the valuation date, the property was occupied by various buildings and structures pending demolition.	No commercial value *(See Note 2)*

Notes:

1. Pursuant to two State-owned Land Use Rights Grant Contracts – Yu Di (2006) He Zi (Jiang Bei) No. 798 and Yu Di (2010) He Zi (Jiang Bei) No. 171 dated 30 December 2006 and 13 October 2010 respectively, the land use rights of various parcels of land with a total site area of approximately 331,155.40 sq.m. have been granted to Chongqing Yingfeng Property Co., Limited (重慶盈豐地產有限公司) ("Chongqing Yingfeng"), a 100%-owned subsidiary of Extol, for two concurrent terms of 40 years for commercial use and 50 years for residential use respectively at a total land grant fee of RMB607,130,000.

   As advised by the Company, the property only comprises portion of the land parcels as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

   As advised by the Company, the apportionate land grant fee of the property has been fully settled whilst the land parcels of the property have not been delivered by government authority.

2. In the course of our valuation, we have assigned no commercial value to the property as Chongqing Yingfeng has not obtained any valid title documents as at the valuation date. Had Chongqing Yingfeng obtained all proper State-owned Land Use Rights Certificate(s) of the property, the market value of the property as at the valuation date would be in the sum of RMB152,000,000 (100% interest attributable to the Acquired Group: RMB152,000,000).

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2014
25.	Phase III and future phases of PKU Resources – Yannan Project, Land Lot Nos. C12-1/06, C14-1/04, C14-3-2/04 and C15-4/03, Dadukou Area, Jiulongpo District, Chongqing, PRC	PKU Resources – Yannan Project (the "Development") is a large-scale residential development, which is being developed in phases. The property comprises four parcels of land with a total site area of approximately 71,114.00 sq.m., on which Phase III and future phases of the Development is proposed to be erected. The Development is located in Dadukou Area of Jiulongpo District, Chongqing, which is a developed area. Developments in the vicinity are dominated by medium to high-rise residential developments of various ages. It is at about 50 minutes' drive to Chongqing Jiangbei International Airport and at about 30 minutes' drive to the city centre of Chongqing. As advised by the Company, the maximum permissible gross floor area of the property is approximately 253,086.40 sq.m.. Detailed development plan of the property has not been finalised. The State-owned Land Use Rights Grant Contract of the property was signed on 21 June 2013 and the formal State-owned Land Use Rights Certificate of the property has not been obtained. (See Note 1 for details of the land use terms of the property)	As at the valuation date, the property was vacant land.	No commercial value *(See Note 2)*

Notes:

1. Pursuant to the State-owned Land Use Rights Grant Contract – Yu Di (2013) He Zi (Jiu Qu) No. 197 dated 21 June 2013, the land use rights of nine parcels of land with a total site area of approximately 144,063.00 sq.m. have been granted to Chongqing Fangyuan Yingrun Property Co., Limited (重慶方源盈潤置業有限公司) ("Chongqing Fangyuan"), an indirectly-owned subsidiary which has 51% effective interest attibutable to Keen Delight and a 19%-owned associate of Chongqing Resources, for a term of 50 years for residential use at a land grant fee of RMB1,650,000,000.

   As advised by the Company, the property only comprises portion of the land parcels as stated in the afore-mentioned State-owned Land Use Rights Grant Contract.

   As advised by the Company, the land grant fee of the property has been fully settled whilst the title document of the property has not been obtained.

2. In the course of our valuation, we have assigned no commercial value to the property as Chongqing Fangyuan has not obtained any valid title documents as at the valuation date. Had Chongqing Fangyuan fully settled the land grant fee of the property and obtained all proper State-owned Land Use Rights Certificate(s) of the property, the market value of the property as at the valuation date would be in the sum of RMB878,000,000 (70% interest attributable to the Acquired Group: RMB614,600,000).

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group.

The Directors relatively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts and the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately after the allotment and issuance of the Consideration Shares, the Additional Shares and the Placement Shares (assuming an Issue Price of HK$0.75 per share which is the mid-point of the proposed Issue Price range and 1,814,666,666 Consideration Shares, 764,000,000 Additional Shares and 2,666,666,666 Placement Shares are to be issued) and the Increase of Authorised Share Capital are as follows:

(a) As at the Latest Practicable Date

Authorised:	*HK$*
3,000,000,000 Shares	300,000,000
Issued and fully paid:	
2,397,970,318 Shares	239,797,032

All of the Shares currently in issue rank pari passu in all respects with each other including, in particular, as to dividends, voting rights and capital.

(b) Immediately after the allotment and issuance of the Consideration Shares, the Additional Shares and the Placement Shares and the Increase of Authorised Share Capital

Authorised:	*HK$*
15,000,000,000 Shares	1,500,000,000
Issued and fully paid:	
7,643,303,650 Shares	764,330,365

3. DISCLOSURE OF 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 and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Zhang Zhao Dong	Directly beneficially owned	3,956,000	0.16
Mr. Zheng Fu Shuang	Directly beneficially owned	200,019,000	8.34

Long positions in share options of the Company:

Name or category of participant	Number of share options at 1 January 2014 and 30 June 2014	Date of grant of share options *(Note 1)*	Exercise period of share options *(Note 2)*	Exercise price of share options *(Note 3)* *HK$ per share*
Ms. Yu Li	16,339,690	10 June 2013	10 June 2014 to 9 June 2016	0.910
Mr. Fang Hao	16,339,690	10 June 2013	10 June 2014 to 9 June 2016	0.910
Mr. Zhou Bo Qin	16,339,690	10 June 2013	10 June 2014 to 9 June 2016	0.910
Mr. Zhang Zhao Dong	10,514,050	5 December 2011	5 December 2012 to 4 December 2014	0.281
Mr. Zhang Zhao Dong	16,339,690	10 June 2013	10 June 2014 to 9 June 2016	0.910
Mr. Xie Ke Hai	10,514,050	5 December 2011	5 December 2012 to 4 December 2014	0.281
Mr. Xie Ke Hai	16,339,690	10 June 2013	10 June 2014 to 9 June 2016	0.910

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The options granted on 5 December 2011 are exercisable in the following two tranches:

   (i) First 40% of the options are exercisable from 5 December 2012 to 4 December 2014; and

   (ii) The remaining 60% of the options are exercisable from 5 December 2013 to 4 December 2014.

   The options granted on 10 June 2013 are exercisable in the following two tranches:

   (i) First 40% of the options are exercisable from 10 June 2014 to 9 June 2016; and

   (ii) The remaining 60% of the options are exercisable from 10 June 2015 to 9 June 2016.

3. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group taken as a whole.

4. SUBSTANTIAL SHAREHOLDERS

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

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
PKU Asset Management	*1*	Through a controlled corporation	1,756,288,254	73.24
PKU Resources Group	*2*	Through a controlled corporation	1,756,288,254	73.24
PKU Resources Holdings	*3*	Through a controlled corporation	1,756,288,254	73.24
Peking Founder	*4*	Through a controlled corporation	1,756,288,254	73.24
Founder Information	*5*	Directly beneficially owned	1,756,288,254	73.24
Mr. Zheng Fu Shuang		Directly beneficially owned	200,019,000	8.34

Notes:

1. PKU Asset Management is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in PKU Resources Group and Peking Founder.

2. PKU Resources Group is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in PKU Resources Holdings.

3. PKU Resources Holdings is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in Founder Information, which it agreed to acquire under the share transfer agreement entered into between Peking Founder and PKU Resources Holdings. As at the Latest Practicable Date, the transfer of shares under the share transfer agreement had not yet been completed.

4. Peking Founder is deemed to be interested in the 1,756,288,254 shares of the Company under the SFO by virtue of its interest in Founder Information.

5. Founder Information is interested in the 1,756,288,254 shares of the Company, out of which 427,906,976 shares are to be allotted and issued upon exercise of convertible bonds.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, no persons had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part

XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTEREST IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors is interested in any contract or arrangement entered into by the Company or any of its subsidiaries or any member of the Acquired Group which contract or arrangement was subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, no director had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Enlarged Group was engaged in any material litigations or claims and no material litigations or claims of material importance was pending or threatened by or against the Company or any member of the Enlarged Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Octal Capital Limited	a corporation licensed to carry out types 1 and 6 regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Savills Valuation and Professional Services Limited	Professional Surveyor

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts above had any interest, direct or indirect in any asset which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of the experts above has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to its names in the form and context in which they appear in this circular.

DBS Asia Capital Limited and Tian Yuan Law Firm have given and have not withdrawn its written consent to the issue of this circular with the inclusion herein of references to its name in the form and context in which it is included.

10. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within two years immediately preceding the date of the circular and up to the Latest Practicable Date and are or may be material:

(a) the S&P Agreement; and

(b) the Placing Agreement.

Save as disclosed above, no member of the Enlarged Group had entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the issue of this circular.

11. GENERAL

(a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Ms. Tang Yuk Bo, Yvonne, FCS, FCIS.

(d) The auditor of the Company is Ernst & Young, Certified Public Accountants, at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

(f) As at the Latest Practicable Date, the Board consisted of Ms. Yu Li, Mr. Fang Hao, Mr. Zhou Bo Qin, Mr. Zhang Zhao Dong, Mr. Xie Ke Hai and Mr. Zheng Fu Shuang as executive Directors and Mr. Li Fat Chung, Ms. Wong Lam Kit Yee and Ms. Cao Qian as independent non-executive Directors.

(g) The address of the Vendor is 28/F, The Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong.

(h) The Company has appointed DBS Asia Capital Limited as its financial adviser. The registered office of DBS Asia Capital Limited is 17th Floor, The Center, 99 Queen's Road Central, Hong Kong.

(i) Neither the Company nor any member of the Enlarged Group have issued or agreed to issue any founder shares, management shares or deferred shares.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. at the principal place of business of the Company in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong from the date of this circular up to and including the date of SGM:

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

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

(c) the letter from the board, the text of which is set out on pages 10 to 50 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;

(e) the letter from Octal Capital Limited, the text of which is set out on pages 53 to 107 of this circular;

(f) the written consents of Octal Capital Limited, Ernst & Young, Savills Valuation and Professional Services Limited, Tian Yuan Law Firm and DBS Asia Capital Limited referred to in the paragraph headed "Expert's qualification and consent" in this appendix;

(g) the annual reports of the Company for each of the three years ended 31 December 2011, 2012 and 2013, and the interim report of the Company for the six months ended 30 June 2014;

(h) the accountants' reports from Ernst & Young dated 2 December 2014 on the financial information of the Acquired Group, the text of which is set out in Appendix II(A) to Appendix II(G) to this circular;

(i) the letter from Ernst & Young dated 2 December 2014 in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III to this circular;

(j) the valuation report from Savills Valuation and Professional Services Limited dated 2 December 2014 for the properties of the Acquired Group, the text of which is set out in appendix V to this circular;

(k) the Master Loan Agreement; and

(l) this circular.

北大资源
PKU RESOURCES

Peking University Resources (Holdings) Company Limited
北 大 資 源（控 股）有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 00618)

NOTICE IS HEREBY GIVEN THAT the Special General Meeting of Peking University Resources (Holdings) Company Limited (the "Company") will be held at 10:00 a.m. on Thursday, 18 December 2014 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for the following purposes. Unless indicated otherwise, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 2 December 2014.

ORDINARY RESOLUTIONS

1. "THAT:

   (a) the S&P Agreement and Placing Agreement and the transactions contemplated thereunder be and are hereby approved; and

   (b) any one Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the S&P Agreement and the transactions contemplated thereunder."

2. "THAT:

   (a) subject to the completion of the Acquisition and the Listing Committee of the Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the Consideration Shares, the issuance and allotment of the Consideration Shares to Founder Information on and subject to the terms and conditions of the S&P Agreement be and are hereby approved; and

   (b) subject to the completion of the Acquisition and the Listing Committee of the Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the Additional Shares, the issuance and allotment of the Additional Shares to Founder Information on and subject to the terms and conditions of the S&P Agreement."

3. "THAT:

   (a) subject to the completion of the Acquisition and the Listing Committee of the Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the Placement Shares to independent institutional and professional investors, the issuance and allotment of Placement Shares to independent institutional and professional investors on and subject to the terms and conditions of the S&P Agreement and the Placing Agreement be and are hereby approved."

4. "THAT:

   (a) subject to the completion of the Acquisition and the Listing Committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in, the Placement Shares to Mr. Zheng, the allotment and issuance of the Placement Shares to Mr. Zheng be and are hereby approved."

5. "THAT:

   (a) the Master Loan Agreement and the transactions contemplated thereunder be and are hereby approved;

   (b) any one Director be and is hereby authorised to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the Master Loan Agreement and the transactions contemplated thereunder."

6. "THAT:

   (a) the authorised share capital of the Company be and is hereby increased from HK$300,000,000 divided into 3,000,000,000 Shares to HK$1,500,000,000 divided into 15,000,000,000 Shares by the creation of an additional 12,000,000,000 new Shares (the "**Increase in Authorised Share Capital**"); and

   (b) any one Director be and is hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Increase in Authorised Share Capital."

By order of the Board of
Peking University Resources (Holdings) Company Limited
Yu Li
Chairwoman

Notes:

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company but must be present in person at the meeting to represent the shareholder. Completion and return of the form of proxy will not preclude a shareholder from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.

2. Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present 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. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the principal place of business of the Company at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.

4. At the meeting (or at any adjournment thereof), the Chairman of the meeting put each of the above resolutions to the vote by way of a poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Bye-laws of the Company. The poll results will be published on the websites of the Company at www.pku-resources.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk following the meeting.